

NATCHITOCHEs REGIONAL MEDICAL CENTER

CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEARS ENDED
JUNE 30, 2010, 2009 AND 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12/15/10



LESTER, MILLER & WELLS
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis

Our discussion and analysis of Natchitoches Parish Hospital Service District's (Hospital's) financial performance provides an overview of the Hospital's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the Hospital's financial statements, which begin on page 3.

Financial Highlights

- The Hospital's total assets increased by approximately \$1 million or roughly 1.2% due mainly from operations. The Hospital's total liabilities decreased by approximately \$2 million, or roughly 9.4% due mainly from the pay down of our long term debt and the pay off of our retainage payable on the construction of the Nursing Home.
- During the year, the Hospital's total net revenue rose 4.6% due to increases in Uncompensated Care reimbursement of \$915,395 and a Medicare inpatient adjustment of approximately \$800,000. Expenses were up 2.0% or \$885,164 due to increased depreciation of \$712,860 from the completion of our new Nursing Home. The Hospital had an income from operations of \$2,251,702, which is approximately 4.8% of total operating revenue.
- The Hospital passed a 10-year Ambulance property tax in 2003 and received approximately \$1,096,932 in taxes for this year. These taxes have been able to provide funds for modernization of Ambulance equipment and expansion of service to rural areas of the Parish that do not have the optimum of services.

Using This Annual Report

The Hospital's financial statements consist of three statements – a balance sheet; a statement of revenues, expenses and changes in net assets; and a statement of cash flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets

Our analysis of the Hospital finances begins on page 3. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The balance sheet and the statement of revenues, expenses and changes in net assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received and paid.

These two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets – the difference between assets and liabilities – as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measure of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

The Statement of Cash Flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

The Hospital's Net Assets

The Hospital's net assets are the difference between its assets and liabilities reported in the balance sheet on page 3. The Hospital's net assets increased in each of the past two years by \$1,508,528 (3.5 percent) in 2009 and \$2,777,369 (6.2 percent) in 2010, as you can see from Table 1.

Table 1: Assets, Liabilities and Net Assets

	<u>2010</u>	June 30 <u>2009</u>	<u>2008</u>
Total Current Assets	\$ 14,779,268	\$ 16,012,548	\$ 11,896,756
Capital Assets – Net	36,800,394	37,463,954	32,594,762
Other Assets, Including Board - Designated Investments	<u>15,153,941</u>	<u>12,467,470</u>	<u>11,067,379</u>
Total Assets	<u>\$ 66,733,603</u>	<u>\$ 65,943,972</u>	<u>\$ 55,558,897</u>
Current Liabilities	\$ 5,596,983	\$ 6,739,721	\$ 4,714,685
Long-term Debt/Liabilities	<u>13,645,000</u>	<u>14,490,000</u>	<u>7,638,489</u>
Total Liabilities	<u>19,241,983</u>	<u>21,229,721</u>	<u>12,353,174</u>
Noncontrolling Interest in Subsidiary	879,200	449,949	393,565
Controlling Net Assets	<u>46,612,420</u>	<u>44,264,302</u>	<u>42,812,158</u>
Total Liabilities and Net Assets	<u>\$ 66,733,603</u>	<u>\$ 65,943,972</u>	<u>\$ 55,558,897</u>

A significant component of the change in the Hospital's assets is the increase in cash and cash equivalents. In fiscal year 2010, cash and cash equivalents decreased by \$211,501 or 4.3% compared to an increase of 141.6% in the prior year (attributed to Bond Issuance for Nursing Home construction).

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating Results and Changes in the Hospital's Net Assets

The following table presents a summary of the Hospital's historical revenues and expenses for cash of the fiscal years ended June 30, 2010, 2009, and 2008.

Table 2: Operating Results and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue:			
Net Patient Svc Revenue	\$ 43,548,188	\$ 41,774,975	\$ 41,764,181
Other Revenue	<u>3,609,617</u>	<u>3,325,748</u>	<u>3,221,960</u>
Net Revenue	<u>47,157,805</u>	<u>45,100,723</u>	<u>44,986,141</u>
Expenses:			
Salaries & Benefits	21,651,601	21,764,012	21,040,216
Medical Supplies	3,849,590	3,753,414	3,640,090
Purchased Services	4,855,580	4,542,348	4,985,053
Other Operating Expense	9,948,784	10,073,477	10,272,523
Depr & Amort.	<u>4,260,531</u>	<u>3,547,671</u>	<u>3,451,963</u>
Total Operating Expense	<u>44,566,086</u>	<u>43,680,922</u>	<u>43,389,845</u>
Net Operating Income	<u>2,591,719</u>	<u>1,419,801</u>	<u>1,596,296</u>
Investment Income	201,047	399,139	438,027
Interest Expense	(581,794)	(467,393)	(512,097)
Non Operating Income	<u>40,730</u>	<u>37,827</u>	<u>43,550</u>
Excess of Revenues over Expense	2,251,702	1,389,374	1,565,776
Unrealized Holding Gains (Losses)	87,699	153,524	(30,076)
Consolidated Net Income - Non Controlling Interest	<u>8,717</u>	<u>(90,754)</u>	<u>(148,039)</u>
Comprehensive Income (Loss)	2,348,118	1,452,144	1,387,661
Net Assets – Beginning of Year	<u>44,264,302</u>	<u>42,812,158</u>	<u>41,424,497</u>
Net Assets – End of Year	<u>\$ 46,612,420</u>	<u>\$ 44,264,302</u>	<u>\$ 42,812,158</u>

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating Income

The first component of the overall change in the Hospital's net assets is its operating income (loss) – generally, the difference between net patient service revenue and other revenue, and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating income. This is consistent with the Hospital's operating history. In each of the past year, operating income has increased. Income in 2010 increased by \$1,171,918 or 82.5 percent increase from the income reported in 2009.

The primary components of the increasing operating income are:

- Increases in uncompensated care of \$915,395 from the state.
- Increases in depreciation expenses of \$712,860 as we moved in our newly constructed nursing home.

Total salary and benefits expenses decreased \$112,411 or 0.5% in 2010, from \$21,764,012 in 2009, and from \$21,040,216 in 2008, resulting in a 0.5% and 2.9% variance, respectively. This decrease is due to lower volumes across service lines and the across the board reduction the hospital made in vacation and sick leave accruals for associates. As a percentage of net patient service revenue, salary and benefit expense was approximately 49.7%, 52.1% and 50.4% for the fiscal years ended June 2010, 2009 and 2008, respectively.

The rate of health care inflation has a direct effect on the cost of services provided by the Hospital. A component of the Hospital's costs is expenses for medical and professional services. In 2009, medical and professional services costs total \$4.5 million. In 2010, they totaled \$4.9 million or 10.4 percent of total expenses and an increase of 6.9 percent over 2009. The major increase was attributable to the pharmacy and emergency room physician services.

Source of Revenue

During fiscal year 2010, the Hospital derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payors, who receive care in the Hospital's facilities. Reimbursement for the Medicare and Medicaid programs and the third-party payors is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes ambulance property tax, cafeteria sales, contract meals, rental income and other miscellaneous services.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Sources of Revenue (continued)

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended June 30, 2010, 2009 and 2008.

Table 3: Payor Mix by Percentage

	Year-end June 30		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Medicare	43.9%	40.6%	43.5%
Medicaid	19.8%	20.8%	22.1%
Commercial Insurance	17.1%	18.1%	12.7%
Blue Cross	9.3%	11.1%	10.4%
Self-Pay and Other	<u>9.9%</u>	<u>9.4%</u>	<u>11.3%</u>
Total Patient Revenues	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Other Revenue

Other revenue includes Ambulance property tax, cafeteria sales, rental income, and other miscellaneous services. Other revenue increased by \$283,869 or 8.5%.

Table 4: Other Revenue

	Year-end June 30		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Other Revenue:			
Rental Income	\$ 1,406,428	\$ 1,641,187	\$ 1,612,347
Medical Records Revenue	3,929	10,321	7,279
Dietary Sale	239,336	260,124	255,760
Vending Revenue	39,615	39,923	40,630
Ambulance Tax and Subsidy	1,541,358	1,263,933	982,752
Grants	15,000	32,108	77,684
Gain on Sale of Equipment	230,834	-0-	163,731
Other	<u>133,117</u>	<u>78,152</u>	<u>81,777</u>
Total Other Revenue	<u>\$ 3,609,617</u>	<u>\$ 3,325,748</u>	<u>\$ 3,221,960</u>

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of investment income. Investment income consists of interest earnings on funds designated by the board of commissioners and funds held by several investments under bond resolution. The net unrealized gain (loss) on market adjustments is excluded from this amount. These investments earned \$201,047 during fiscal year 2010.

Operating and Financial Performance

The following summarizes the Hospital's statements of revenue, expenses, and changes in net assets between 2010, 2009, and 2008.

Overall, activity at the Hospital, as measured by admissions of adults, pediatrics, and geriatric psych patients, decreased by 13.0% to 3,339 admissions in 2010 from 3,836 admissions in 2009, from 3,953 admissions in 2008. Patient days decreased 0.6% to 15,460 from prior year of 15,556 in 2009, and 16,915 in 2008. As a result, the average length of stay for acute care patients (excluding newborns) increased to 3.92 days in 2010 from 3.46 days in 2009.

Our Long Term Care Units activity decreased by 3.2% to 36,049 days in 2010 versus 37,252 days in 2009, and 38,041 days in 2008, which represents 88% occupancy on the unit. With our acquisition of a 30 bed assisted living center in July of 2007, administration and the board has replaced our 50 year old Long Term Care Unit. Construction finished in September of 2009 at an estimated cost of \$8 million. With the completion of our new facility administration expects occupancy rates to exceed 90% in 2011.

The Hospital operates the district ambulance service, that traditionally has had operating losses. Effective July 2003, the residents of Natchitoches Parish passed a 5.53 mil property tax to subsidize operations.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (continued)

Table 5: Patient and Hospital Statistical Data

	Year-end June 30		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Admissions:			
Adult and Pediatric	3,114	3,639	3,735
Newborn	544	665	683
Long Term Care Unit	290	253	243
Geriatric Psych Unit	225	197	218
Patient Days:			
Adult and Pediatric	12,216	12,582	13,755
Medicare (Included in Adult & Pediatric)	6,537	8,476	6,755
Medicaid (Included in Adult & Pediatric)	2,804	3,452	3,704
Newborn	1,197	1,504	1,541
Long Term Care Unit	36,049	37,252	38,041
Geriatric Psych Unit	3,244	2,974	3,160
Operating Room Patients	1,696	1,861	1,995
Outpatient Registrations	52,154	54,187	51,551
Emergency Room Visits	17,916	19,324	19,971
Ambulance Runs	4,360	4,626	4,066
Average Daily Census (Excluding Newborn):			
Adult and Pediatric	33.47	34.47	37.68
Long Term Care Unit	98.76	102.06	104.22
Geriatric Psych Unit	8.89	8.15	8.66
Average Length of Stay (Excluding Newborn):			
All Acute Care Patients	3.92	3.46	3.68
Medicare Patients	5.32	6.28	5.03
Medicaid Patients	1.81	2.79	2.60
Long Term Care Unit Patients	124.31	147.24	156.55
Geriatric Psych Unit Patients	14.42	15.10	14.50
Percentage of Acute-Care Patient Days:			
Medicare	53.51%	67.37%	49.11%
Medicaid	22.95%	27.44%	26.93%
Full-Time Equivalents (FTE's)	472	476	471

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Operating and Financial Performance (Continued)

Allowances increased over prior year as described in the table below:

Table 6: Allowance Summary

	Year-end June 30		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Allowances:			
Medicare Contractual Allowances	\$ 23,829,288	\$ 23,509,572	\$ 25,516,035
Medicaid Contractual Allowances	8,427,699	9,266,995	12,446,546
Blue Cross, Louisiana State Employees, and other Contractual Allowances	12,040,963	13,110,756	10,871,658
Provision for Bad Debt	6,946,095	5,284,857	7,242,759
Other Adjustments	503,216	702,821	412,951
Uncompensated Care Reimbursement	<u>(2,782,139)</u>	<u>(1,866,744)</u>	<u>(5,342,412)</u>
Total Allowances	<u>\$ 48,965,122</u>	<u>\$ 50,008,257</u>	<u>\$ 51,147,537</u>

As a result of a continued effort in accounts receivable collection efforts, days in accounts receivable remained low at 45 days. Excluded from net patient service revenue are charges forgone for patient services falling under the Hospital's charity care policy. Based on established rates, gross charges of \$341,173 were forgone during 2010, compared to \$570,398 in 2009, and \$404,256 in 2008. The hospital has instituted an automated charity care system to assure consistent application of Board policies. Hospital assumes compliance with our charity policy resulted in only patients meeting specific criteria will be classified as a charity care.

Natchitoches Parish Hospital Service District
Natchitoches Parish, Natchitoches, Louisiana

Management's Discussion and Analysis (continued)

Capital Asset and Debt Administration

Capital Assets

At the end of 2010, the Hospital had \$36.8 million invested in capital assets, net of accumulated depreciation, as detailed in note 5 to the financial statements. In 2010, the Hospital purchased capital assets costing \$10,091,673. Of this, \$1,756,844 (17.4%) was the acquisition of new equipment as can be seen in Table 8 below:

Table 7: Capital Assets

	Year-end June 30		
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$ 1,247,211	\$ 1,234,560	\$ 1,223,232
Building & Equipment	<u>76,445,390</u>	<u>66,387,017</u>	<u>64,775,734</u>
Subtotal	77,692,601	67,621,577	65,998,966
Less Accumulated Depr.	41,417,058	37,404,761	34,013,733
Construction in Progress	<u>524,851</u>	<u>7,247,138</u>	<u>609,529</u>
Net Property, Plant & Equipment	<u>\$ 36,800,394</u>	<u>\$ 37,463,954</u>	<u>\$ 32,594,762</u>

Table 8: Major Additions over \$100,000

<u>Capital Investment</u>	<u>Department</u>	<u>2010 Cost</u>
Central Monitoring System	Labor & Delivery	\$ 165,901
Telemetry System	ICU	\$ 116,554
Renovation of Assisted Living	Assisted Living	\$ 450,000

Debt

At year-end, the Hospital had \$14,490,000 in short-term and long-term debt. Long-term debt decreased by \$845,000 in fiscal year 2010. More detailed information about the Hospital's long-term liabilities is presented in the note 8 to basic financial statements. Total debt outstanding represents approximately 21.7% of the Hospital's total assets at June 30, 2010 versus prior years of 23.2% and 15.0% respectfully.

Contacting the Hospital's Financial Management

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital administration.

**LESTER, MILLER & WELLS***A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

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Independent Auditors' Report

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana

We have audited the accompanying consolidated financial statements of the Natchitoches Parish Hospital Service District and its Affiliates (the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2010, 2009 and 2008, as listed in the foregoing table of contents. These consolidated financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital, as of June 30, 2010, 2009 and 2008, and the results of its operations and cash flows of such funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2010, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the Hospital's consolidated financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to auditing procedures applied by us in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "ix" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lester Miller & Wells

Certified Public Accountants
Alexandria, Louisiana
December 1, 2010



NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED BALANCE SHEETS
JUNE 30,

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current:			
Cash and cash equivalents	\$ 4,681,463	\$ 4,892,964	\$ 2,025,014
Limited use assets (Note 4)	778,618	2,947,022	720,668
Patient accounts receivable, net (Note 3)	5,308,127	5,137,174	6,155,444
Estimated third-party payor settlements	1,328,496	335,698	359,188
Other receivables	125,516	127,544	137,058
Inventory	1,325,712	1,338,307	1,364,128
Prepaid expenses	863,890	881,686	803,173
Notes receivable - current (Note 16)	367,446	352,153	332,083
Total current assets	<u>14,779,268</u>	<u>16,012,548</u>	<u>11,896,756</u>
Other:			
Limited use assets (Note 4)	11,428,298	9,903,980	8,522,223
Property, plant and equipment, net (Note 5)	36,800,394	37,463,954	32,594,762
Bond issue cost, net (Note 6)	80,054	85,017	40,395
Capitalized construction interest, net (Note 6)	2,077,106	1,990,681	1,748,688
Notes receivable (Note 16)	776,008	289,352	557,633
Investments	500,000	-0-	-0-
Other	292,475	198,440	198,440
Total assets	<u>\$ 66,733,603</u>	<u>\$ 65,943,972</u>	<u>\$ 55,558,897</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current:			
Accounts payable	\$ 2,220,904	\$ 3,703,872	\$ 1,781,259
Accrued expenses	2,215,089	1,847,845	1,818,239
Unearned revenue	15,990	12,342	1,227
Estimated third-party payor settlements	300,000	375,662	400,000
Current portion of long-term debt (Note 8)	845,000	800,000	713,960
Total current liabilities	<u>5,596,983</u>	<u>6,739,721</u>	<u>4,714,685</u>
Long-term liabilities:			
Long-term debt (Note 8)	13,645,000	14,490,000	7,638,489
Total liabilities	<u>19,241,983</u>	<u>21,229,721</u>	<u>12,353,174</u>
Net assets:			
Invested in capital assets, net of related debt	22,310,394	22,173,954	24,242,313
Restricted net assets	778,618	2,947,022	720,668
Unrestricted net assets	23,523,408	19,143,326	17,849,177
Total controlling net assets	<u>46,612,420</u>	<u>44,264,302</u>	<u>42,812,158</u>
Noncontrolling interest in subsidiary	879,200	449,949	393,565
Total net assets	<u>47,491,620</u>	<u>44,714,251</u>	<u>43,205,723</u>
Total liabilities and net assets	<u>\$ 66,733,603</u>	<u>\$ 65,943,972</u>	<u>\$ 55,558,897</u>

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue:			
Net patient service revenue	\$ 43,548,188	\$ 41,774,975	\$ 41,764,181
Other revenue	<u>3,609,617</u>	<u>3,325,748</u>	<u>3,221,960</u>
Total revenue	<u>47,157,805</u>	<u>45,100,723</u>	<u>44,986,141</u>
Expenses:			
Salaries and benefits	21,651,601	21,764,012	21,040,216
Medical supplies and drugs	3,849,590	3,753,414	3,640,090
Medical, professional and consulting	4,855,580	4,542,348	4,985,053
Other expenses	8,307,339	8,676,372	8,823,481
Retirement	310,074	74,085	247,415
Insurance	1,317,393	1,301,920	1,181,896
Leases	13,978	21,100	19,731
Depreciation and amortization	<u>4,260,531</u>	<u>3,547,671</u>	<u>3,451,963</u>
Total expenses	<u>44,566,086</u>	<u>43,680,922</u>	<u>43,389,845</u>
Operating income (loss)	<u>2,591,719</u>	<u>1,419,801</u>	<u>1,596,296</u>
Nonoperating income:			
Interest income	15,375	32,897	56,930
Interest income from limited use assets	185,672	366,242	381,097
Interest expense	(581,794)	(467,393)	(512,097)
Net contributions (Note 14)	<u>40,730</u>	<u>37,827</u>	<u>43,550</u>
Total nonoperating income	<u>(340,017)</u>	<u>(30,427)</u>	<u>(30,520)</u>
Excess of revenue over expenses	2,251,702	1,389,374	1,565,776
Less: consolidated net income attributable to noncontrolling interest	8,717	(90,754)	(148,039)
Other comprehensive income			
Unrealized holding gains (losses)	<u>87,699</u>	<u>153,524</u>	<u>(30,076)</u>
Comprehensive income (loss)	2,348,118	1,452,144	1,387,661
Net assets at beginning of year	<u>44,264,302</u>	<u>42,812,158</u>	<u>41,424,497</u>
Net assets at end of year	\$ <u>46,612,420</u>	\$ <u>44,264,302</u>	\$ <u>42,812,158</u>

See accompanying notes to financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 42,308,775	\$ 42,792,397	\$ 41,658,794
Other receipts from operations	3,384,459	3,346,377	2,920,918
Investment income received - nonrestricted	15,375	32,897	56,920
Cash payments to employees and for employee-related cost	(21,594,431)	(21,808,491)	(21,061,995)
Cash payments for other operating expenses	<u>(19,430,916)</u>	<u>(16,031,403)</u>	<u>(18,279,464)</u>
Net cash provided (used) by operating activities	<u>4,683,262</u>	<u>8,331,777</u>	<u>5,295,173</u>
Cash flows from investing activities:			
Cash invested in assets limited as to use - investment	(201,047)	(3,454,587)	(1,141,633)
Redemption of investments/principal return	932,832	-0-	71,756
Cash invested in certificates of deposit	(500,000)	-0-	-0-
Loans to physicians	(867,490)	(138,119)	(214,193)
Cash invested in joint venture	(34,300)	-0-	-0-
Dividends paid to joint venture owners	-0-	(34,370)	(98,200)
Cash received for noncontrolling interest in subsidiary	437,968	-0-	-0-
Capitalized goodwill	(238,691)	-0-	-0-
Investment earnings	<u>185,672</u>	<u>366,242</u>	<u>381,107</u>
Net cash provided (used) by investing activities	<u>(285,056)</u>	<u>(3,260,834)</u>	<u>(1,001,163)</u>
Cash flows from capital and related financing activities:			
Interest expense	(581,794)	(467,393)	(512,097)
Capitalized construction interest	(139,409)	(288,732)	-0-
Capitalized bond issue cost	-0-	(47,730)	-0-
Principal payments on long-term debt	(800,000)	(1,062,449)	(677,768)
Cash received from long-term borrowings	-0-	8,000,000	-0-
Acquisition of property, plant and equipment	(3,129,234)	(8,374,516)	(3,713,909)
Contributions	<u>40,730</u>	<u>37,827</u>	<u>43,550</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(4,609,707)</u>	\$ <u>(2,202,993)</u>	\$ <u>(4,860,224)</u>

See accompanying notes to financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Net increase (decrease) in cash and cash equivalents	\$ (211,501)	\$ 2,867,950	\$ (566,214)
Beginning cash and cash equivalents	<u>4,892,964</u>	<u>2,025,014</u>	<u>2,591,228</u>
Ending cash and cash equivalents	\$ <u>4,681,463</u>	\$ <u>4,892,964</u>	\$ <u>2,025,014</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>757,376</u>	\$ <u>676,974</u>	\$ <u>517,947</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 2,591,719	\$ 1,419,801	\$ 1,596,296
Adjustments to reconcile revenue in excess of expenses to net cash provided by operating activities:			
Provision for bad debts	6,946,095	5,284,857	7,242,759
Depreciation and amortization	4,255,568	3,552,063	3,448,856
Amortization of bond issue cost	4,963	3,108	3,107
Physician loan amortization	365,541	386,330	460,975
Interest income	15,375	32,897	56,920
Gain/loss on sale of assets	(230,834)	-0-	(163,731)
(Increase) decrease in:			
Patient accounts receivable, net	(7,117,048)	(4,266,587)	(7,868,949)
Estimated third-party payor settlements	(992,798)	23,490	120,803
Other receivables	2,028	9,514	(130,930)
Inventory	12,595	25,821	(2,091)
Prepaid expenses	17,796	(78,513)	(217,048)
Increase (decrease) in:			
Accounts payable	(1,482,968)	1,922,613	128,951
Accrued expenses	367,244	29,606	225,636
Unearned revenue	3,648	11,115	(6,381)
Estimated third-party payor settlements	<u>(75,662)</u>	<u>(24,338)</u>	<u>400,000</u>
Net cash provided by operating activities	\$ <u>4,683,262</u>	\$ <u>8,331,777</u>	\$ <u>5,295,173</u>

See accompanying notes to financial statements.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Legal Organizations

The Natchitoches Parish Hospital Service District (referred to as "the District" or "the Hospital") was created by an ordinance of the Natchitoches Parish Police Jury (the "Jury") on October 19, 1955. The governing board of the District consists of seven members appointed by the Jury. Because the Jury appoints all commissioners of the Natchitoches Parish Hospital Service District, the District is a component unit of the Natchitoches Parish Police Jury, which is the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Jury, or the other governmental units that comprise the financial reporting entity.

An affiliate, Natchitoches Hospital Foundation (referred to as "the Foundation"), was incorporated June 23, 1987, as a Louisiana nonprofit corporation. The Foundation has one class of members, consisting of one member, the District.

An affiliate, Natchitoches Outpatient Services, LLC (referred to as "NOP, LLC"), was organized January 22, 2004, as a Louisiana limited liability company. NOP, LLC is a perpetual limited liability company. The District has 50.9% ownership in NOP, LLC.

An affiliate, Natchitoches Assisted Living, LLC (referred to as "NAL, LLC"), was organized July 16, 2007, as a Louisiana limited liability company. NAL, LLC is a perpetual limited liability company. The District has 100% ownership in NAL, LLC.

An affiliate, Regional Cardiology Clinic, LLC (referred to as "RCC, LLC"), was organized March 2, 2009, as a Louisiana limited liability company. RCC, LLC is a perpetual limited liability company. The District has 50.1% ownership in RCC, LLC.

An affiliate, Natchitoches Regional Medical Center Foundation (referred to as "NRMC Foundation"), was incorporated November 3, 2005, as a Louisiana nonprofit corporation. NRMC Foundation has one class of members, consisting of two members, the District and Christus Health Central Louisiana. The District appoints six of the ten-member Board for NRMC Foundation, however two-thirds (2/3) vote is needed for certain major decisions. Therefore, the financials of NRMC Foundation are not consolidated in the District's financials. Additionally, there were no related party transactions between the District and NRMC Foundation.

Nature of Business

The District provides outpatient, ambulance, emergency and acute services through its hospital unit. The District also provides inpatient intermediate and skilled nursing services through its long-term care unit and hospital "swing-beds". In June 1995, the District opened a unit to provide geriatric psychiatric services and was recognized as a "distinct part" unit effective July 1, 1995.

The Foundation's purpose is to engage in the solicitation, receipt and administration of funds and property, and from time to time, to disburse such funds or property and the income therefrom, to or for the benefit of the District.

NOP, LLC provides outpatient therapy and MRI services.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

NAL, LLC provides housing and limited care for elderly residents as an assisted living center.

RCC, LLC provides outpatient cardiology diagnostic and testing services.

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The District, Foundation and NOP, LLC use enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements. Such accounting and reporting procedures conform to the requirements of Louisiana Revised Statute 24:514 and to the guide set forth in the Louisiana Governmental Audit Guide, and the AICPA Audits of Providers of Health Care Services, published by the American Institute of Certified Public Accountants.

Cash and Cash Equivalents

Cash represents coin, currency, bank demand deposits and other negotiable instruments that are readily acceptable in lieu of currency. Cash equivalents are time deposits, certificates of deposit, treasury bills and mortgage backed securities purchased with a maturity of three months or less.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Investments

The Hospital classifies their investments as available-for-sale in response to changes in interest rates, liquidity needs and for other purposes. Available-for-sale securities are reported at fair value. Unrealized holdings gains and losses are reported as other comprehensive income.

Property, Plant and Equipment

Purchased fixed assets are recorded at cost and donated fixed assets, if received, at fair market value on the date of any donation. Depreciation is calculated over estimated useful lives, using the straight-line method. Land was initially donated for hospital use, and it is recorded at the fair market value at the time of donation. Additional land was purchased, and it is recorded at cost.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Net Assets

Net assets consist of net assets invested in capital assets (property and equipment), net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and outstanding balance of any related debt that is attributable to the acquisition of the capital assets. Restricted net assets are those assets that are externally restricted by creditors, grantors, contributors, or laws and regulations, or those restricted by constitutional provisions and enabling legislation. Unrestricted net assets consist of all other assets. When both restricted and unrestricted resources are available for use, it is the Hospital's policy to use unrestricted resources first, then restricted resources as they are needed.

Revenue and Expenses

The Hospital's statements of revenues, expenses, and changes in net assets distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the Hospital's principal activity. Nonexchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income Taxes

The District is a political subdivision of the State of Louisiana and exempt from taxation. Additionally, the District has acquired exemption under Section 501(c)(3) of the United States Internal Revenue Code.

The Foundation is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

NOP, LLC, NAL, LLC, and RCC, LLC do not pay federal corporate income taxes on its taxable income or is not allowed a net operating loss carryover or carryback as a deduction. Instead, the members are liable for individual federal income taxes on their respective shares of these companies' taxable income or include their respective shares of these companies' net operating loss in their individual income tax returns.

Credit Risk

The Hospital provides medical care primarily to Natchitoches Parish residents and grants credit to patients, substantially all of whom are local residents. The Hospital's estimate of collectibility is based on evaluation of historical collections compared to gross charges and an analysis of aged accounts receivable to establish an allowance for uncollectible accounts.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 1 - THE ORGANIZATION AND A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Significant Concentration of Economic Dependence

The District has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 9. Changes in federal or state legislation or interpretations of rules have a significant impact on the Hospital.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies, and managed care health plans, under which the Hospital is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates, or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of the District and its affiliates, after elimination of all significant intercompany balances and transactions. The District has recorded a minority interest for the portion of equity and income attributable to other investors in NOP, LLC and RCC, LLC.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classifications.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2010, the balances reported by financial institutions for cash totaled \$5,397,155. Of the total, \$814,104 was covered by federal depository insurance and \$4,583,051 was collateralized with securities held by the pledging bank in the District's name.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

As of June 30, 2009, the balances reported by financial institutions for cash totaled \$6,712,732. Of the total, \$711,245 was covered by federal depository insurance and \$6,001,487 was collateralized with securities held by the pledging bank in the District's name.

As of June 30, 2008, the balances reported by financial institutions for cash totaled \$2,278,456. Of the total, \$297,121 was covered by federal depository insurance and \$1,981,335 was collateralized with securities held by the pledging bank in the District's name.

Investing is performed in accordance with investment policies complying with state statutes. Funds may be invested in direct obligations of the United States Government and its agencies pledged by its full faith and credit, certificates of deposit and savings accounts which are secured by FDIC or pledge of securities, and government backed mutual or trust funds.

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at June 30, 2010, 2009, and 2008.

Concentration of Credit Risks - The District has 51.3% of its investments in the Louisiana Hospital Investment Pool (LHIP) Public Trust A, 5.7% in Federal Home Loan Bank, 20.25% in Federal National Mortgage Association, 9.7% in Money Markets, and 8.1% in Certificates of Deposit.

Interest Rate Risks - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District's investments are reported at fair value. At June 30, 2010, 2009 and 2008, the District had the following investments and maturities, all of which were held in the District's name by a custodial bank that is an agent of the District. The table below is with the assumption that the bonds are held until maturity.

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

<u>June 30, 2010</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LHIP - Public Trust A	\$ 5,789,892	\$ 1,157,978	\$ 3,184,441	\$ 1,447,473	\$ -0-
Money Markets	1,087,035	1,087,035	-0-	-0-	-0-
Mutual Funds	229,824	229,824	-0-	-0-	-0-
Federal National Mortgage Assoc.	2,285,908	-0-	2,278,684	-0-	7,224
Federal Home Loan Bank	643,075	643,075	-0-	-0-	-0-
Financing Corp Fed	326,222	326,222	-0-	-0-	-0-
Certificates of Deposit	909,426	712,101	197,325	-0-	-0-
Exchange-Traded Products	<u>8,016</u>	<u>8,016</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>11,279,398</u>	\$ <u>4,164,251</u>	\$ <u>5,660,450</u>	\$ <u>1,447,473</u>	\$ <u>7,224</u>

<u>June 30, 2009</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LHIP - Public Trust A	\$ 4,215,968	\$ 911,857	\$ 2,183,545	\$ 1,120,566	\$ -0-
Money Markets	272,132	272,132	-0-	-0-	-0-
Mutual Funds	200,811	200,811	-0-	-0-	-0-
Federal National Mortgage Assoc.	1,023,728	1,015,190	-0-	-0-	8,538
Federal Home Loan Mortgage	1,317,658	300,468	1,017,190	-0-	-0-
Federal Home Loan Bank	902,563	251,875	650,688	-0-	-0-
Financing Corp Fed	315,143	-0-	315,143	-0-	-0-
Freddie Mac	1,147,436	-0-	1,147,436	-0-	-0-
Certificates of Deposit	844,475	187,728	656,747	-0-	-0-
Exchange-Traded Products	<u>10,642</u>	<u>10,642</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total	\$ <u>10,250,556</u>	\$ <u>3,150,703</u>	\$ <u>5,970,749</u>	\$ <u>1,120,566</u>	\$ <u>8,538</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

<u>June 30, 2008</u>		<u>Investment Maturities (In Years)</u>			
<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>
LHIP - Public Trust A	\$ 3,060,055	\$ 40,105	\$ 512,428	\$ 2,507,522	\$ -0-
Money Markets	182,758	182,758	-0-	-0-	-0-
Mutual Funds	251,585	251,585	-0-	-0-	-0-
Federal National Mortgage Assoc.	1,839,120	-0-	1,839,120	-0-	-0-
Federal Home Loan Mortgage	1,480,900	-0-	1,480,900	-0-	-0-
Federal Home Loan Bank	1,021,846	400,752	621,094	-0-	-0-
Financing Corp Fed	298,538	-0-	298,538	-0-	-0-
Federal Farm Credit Bank	211,270	-0-	211,270	-0-	-0-
Total	\$ 8,346,072	\$ 875,200	\$ 4,963,350	\$ 2,507,522	\$ -0-

Credit Risks - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of June 30, 2010, the District's investments were rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>	<u>Moody's Investor's Service</u>
LHIP - Public Trust A	Not Rated	Not Rated
Money Markets	AAA	AAA
Mutual Funds	Not Rated	Not Rated
Federal National Mortgage Association	AAA	AAA
Federal Home Loan Bank	AAA	AAA

NOTE 3 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Patient accounts receivable	\$ 9,048,685	\$ 9,361,125	\$ 10,746,291
Less provision for uncollectibles	<u>(3,740,558)</u>	<u>(4,223,951)</u>	<u>(4,590,847)</u>
Net accounts receivable	\$ <u>5,308,127</u>	\$ <u>5,137,174</u>	\$ <u>6,155,444</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 3 - ACCOUNTS RECEIVABLE (Continued)

The following is a summary of the mix of receivables from patient and third-party payors at June 30:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Medicare	23%	19%	19%
Medicaid	10%	13%	8%
Commercial and other third-party payors	28%	20%	31%
Patients	<u>39%</u>	<u>48%</u>	<u>42%</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Medicare, Medicaid and third-party payors are shown net of contractual allowances.

NOTE 4 - LIMITED USE ASSETS

A summary of limited use assets is presented below:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<u>By Third Parties</u>			
Cash with paying agent - interest and principal, due 10/01 (Series 2000 Bonds)	\$ 421,905	\$ 437,696	\$ 425,676
Donor contributions	329,498	296,768	294,992
Series 2008 proceeds to be disbursed	-0-	2,183,715	-0-
Patient trust funds	27,215	28,843	-0-
<u>By Board</u>			
Repair and replacement - cash and cash equivalents	2,156,005	2,258,360	2,114,876
Repair and replacement - investments	8,841,998	7,215,323	5,977,050
LHA trust deposits	430,297	430,297	430,297
Less limited use assets required for current liabilities	<u>(778,618)</u>	<u>(2,947,022)</u>	<u>(720,668)</u>
Non-current limited use assets	\$ <u>11,428,298</u>	\$ <u>9,903,980</u>	\$ <u>8,522,223</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant and equipment and related accumulated depreciation for the year ended:

	<u>June 30, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
Land and improvements	\$ 1,234,560	\$ 12,651	\$ -0-	\$ 1,247,211
Buildings	42,131,255	8,322,178	-0-	50,453,433
Furniture, fixtures & equipment	24,255,762	1,756,844	20,649	25,991,957
Construction in progress	<u>7,247,138</u>	<u>494,900</u>	<u>7,217,187</u>	<u>524,851</u>
Total	74,868,715	10,586,573	7,237,836	78,217,452
Accumulated depreciation	<u>37,404,761</u>	<u>4,023,628</u>	<u>11,331</u>	<u>41,417,058</u>
Net	\$ <u>37,463,954</u>	\$ <u>6,562,945</u>	\$ <u>7,226,505</u>	\$ <u>36,800,394</u>
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
Land and improvements	\$ 1,223,232	\$ 11,328	\$ -0-	\$ 1,234,560
Buildings	41,696,930	434,325	-0-	42,131,255
Furniture, fixtures & equipment	23,078,804	1,290,842	113,884	24,255,762
Construction in progress	<u>609,529</u>	<u>6,637,609</u>	<u>-0-</u>	<u>7,247,138</u>
Total	66,608,495	8,374,104	113,884	74,868,715
Accumulated depreciation	<u>34,013,733</u>	<u>3,504,912</u>	<u>113,884</u>	<u>37,404,761</u>
Net	\$ <u>32,594,762</u>	\$ <u>4,869,192</u>	\$ <u>-0-</u>	\$ <u>37,463,954</u>
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
Land and improvements	\$ 1,116,653	\$ 163,799	\$ 57,220	\$ 1,223,232
Buildings	39,420,389	2,376,541	100,000	41,696,930
Furniture, fixtures & equipment	21,730,434	1,425,829	77,459	23,078,804
Construction in progress	<u>479,916</u>	<u>1,669,193</u>	<u>1,539,580</u>	<u>609,529</u>
Total	62,747,392	5,635,362	1,774,259	66,608,495
Accumulated depreciation	<u>30,628,154</u>	<u>3,402,526</u>	<u>16,947</u>	<u>34,013,733</u>
Net	\$ <u>32,119,238</u>	\$ <u>2,232,836</u>	\$ <u>1,757,312</u>	\$ <u>32,594,762</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation was calculated using the straight-line method. Useful lives for the purpose of calculating depreciation by class are:

Buildings	10 - 40 years
Furniture, fixtures and equipment	3 - 15 years

NOTE 6 - OTHER ASSETS

Bond issue costs of \$46,609 were incurred for the 2000 Revenue Bonds and is being amortized using the straight-line method over the remaining life of the bonds (20 years) beginning in the fiscal year 2006.

Capitalized interest of \$1,814,579 was accumulated as of June 30, 2006 for the 2000 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2006.

Bond issue costs of \$47,730 were incurred for the 2008 Revenue Bonds and is being amortized over the remaining life of the bonds (20 years) beginning in 2010.

Capitalized interest of \$428,142 was accumulated as of June 30, 2010 for the 2008 Revenue Bonds and is being amortized using the straight-line method over the life of the building beginning in the fiscal year 2010.

NOTE 7 - COMPENSATED ABSENCES

Employees of the District are entitled to paid days off and sick days depending on length of service. The District accrued \$620,253, \$637,937, and \$695,492 of vacation pay at June 30, 2010, 2009, and 2008. It is impractical to estimate the amount of compensation for future unvested sick pay and, accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of unvested sick pay when actually paid to employees.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 8 - LONG-TERM DEBT

A summary of long-term debt, including capital lease obligations follows:

	June 30, 2009	Additions	Payments	June 30, 2010	Due Within One Year
Series 2000 Bonds Payable	\$ 7,290,000	\$ -0-	\$ 435,000	\$ 6,855,000	\$ 460,000
Series 2008 Bonds Payable	<u>8,000,000</u>	<u>-0-</u>	<u>365,000</u>	<u>7,635,000</u>	<u>385,000</u>
Total	\$ <u>15,290,000</u>	\$ <u>-0-</u>	\$ <u>800,000</u>	\$ <u>14,490,000</u>	\$ <u>845,000</u>

	June 30, 2008	Additions	Payments	June 30, 2009	Due Within One Year
Series 2000 Bonds Payable	\$ 7,700,000	\$ -0-	\$ 410,000	\$ 7,290,000	\$ 435,000
Note Payable	652,450	-0-	652,450	-0-	-0-
Series 2008 Bonds Payable	<u>-0-</u>	<u>8,000,000</u>	<u>-0-</u>	<u>8,000,000</u>	<u>365,000</u>
Total	\$ <u>8,352,450</u>	\$ <u>8,000,000</u>	\$ <u>1,062,450</u>	\$ <u>15,290,000</u>	\$ <u>800,000</u>

	June 30, 2007	Additions	Payments	June 30, 2008	Due Within One Year
Series 2000 Bonds Payable	\$ 8,090,000	\$ -0-	\$ 390,000	\$ 7,700,000	\$ 410,000
Note Payable	<u>940,217</u>	<u>-0-</u>	<u>287,767</u>	<u>652,450</u>	<u>303,960</u>
Total	\$ <u>9,030,217</u>	\$ <u>-0-</u>	\$ <u>677,767</u>	\$ <u>8,352,450</u>	\$ <u>713,960</u>

The following are the terms and due dates of the Hospital's long-term debt at June 30:

- Series 2000 Hospital Revenue Bond at 6% collateralized by a pledge and dedication of hospital revenue. Effective April 27, 2010, the rate has been changed to 4.35%.
- Series 2008 Hospital Revenue Bonds at 4.26% collateralized by a pledge and dedication of hospital revenue

On June 14, 2000, the Series 2000 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital as well as a lien and privilege on its revenues.

On July 29, 2008, the Series 2008 Hospital Revenue Bonds were issued. The bonds are secured by the full faith and credit of the Hospital.

The Hospital has covenanted to set rates so that revenues are sufficient to pay all reasonable and necessary expenses of operating and maintaining the Hospital, certain multiples of the largest amount of principal and interest maturing on the Bonds in any future fiscal year and on any pari passu additional bonds hereafter issued. Those multiples range from 120% to 200%.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 8 - LONG-TERM DEBT (Continued)

Other requirements under the terms of indebtedness are as follows:

- *Sale or disposition of Hospital property, plant and equipment is limited. Future debt agreements may not take priority over this series of debt.
- *Make monthly deposits equal to the pro-rata portion of the next principal and/or interest payment, which are to be maintained in fully backed or government securities investments, with market values greater than invested dollars.
- *Collect payment on all services rendered, except for an undisclosed, reasonable amount of charity care.
- *Maintain all assets in good working order.
- *Carry full insurance coverage with a responsible licensed Louisiana company.
- *Maintain complete and accurate records and have an annual audit.
- *Maintain cash on hand of not less than 60 days of operating expenses net of depreciation and amortization.
- *Provide quarterly statements to the purchaser.
- *Protect tax exempt status and refrain from activities that would require payment of arbitrage to the IRS.

Scheduled principal and interest repayments on the long-term debt follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 845,000	\$ 609,950	\$ 1,454,950
2012	895,000	567,749	1,462,749
2013	940,000	528,210	1,468,210
2014	995,000	486,519	1,481,519
2015	1,055,000	442,348	1,497,348
2016-2020	6,205,000	1,457,518	7,662,518
2021-2024	<u>3,555,000</u>	<u>258,203</u>	<u>3,813,203</u>
Totals	\$ <u>14,490,000</u>	\$ <u>4,350,497</u>	\$ <u>18,840,497</u>

NOTE 9 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicare beneficiaries are paid based on a set fee per diagnosis. Swing bed and skilled nursing facility routine services are reimbursed based on a prospectively determined rate per patient day. Geriatric psychiatry services are reimbursed based on a prospective method based on length of stay, diagnosis, and other factors.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 9 - NET PATIENT SERVICE REVENUE (Continued)

Medicaid - Inpatient services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. Geriatric psychiatry services are reimbursed on a prospectively determined per diem rate.

Commercial - The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. Payment methods under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined per diem rates. Blue Cross Blue Shield "BCBS" is the largest commercial provider. BCBS charges were 9%, 11%, and 11% of the total gross charges for the years ended June 30, 2010, 2009 and 2008, respectively.

The following is a summary of the Hospital's net patient service revenue for the years ended June 30:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Gross patient service charges	\$ 92,513,310	\$ 91,856,332	\$ 92,911,718
Contractual adjustments - Medicare and Medicaid	(32,256,987)	(32,849,667)	(37,962,581)
Contractual adjustments - other third parties	(12,040,963)	(13,110,756)	(10,871,658)
Provision for bad debts	(6,946,095)	(5,284,857)	(7,242,759)
Free care	(341,173)	(570,398)	(404,256)
Other deductions	(162,043)	(132,423)	(8,695)
Uncompensated care reimbursement	<u>2,782,139</u>	<u>1,866,744</u>	<u>5,342,412</u>
Net patient service revenue	\$ <u>43,548,188</u>	\$ <u>41,774,975</u>	\$ <u>41,764,181</u>

The Hospital receives a substantial portion of its revenues from the Medicare and Medicaid programs at discounted rates. The following is a summary of Medicare and Medicaid patient revenues for the years ended June 30:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Medicare and Medicaid gross patient charges	\$ 59,059,330	\$ 56,349,459	\$ 59,831,246
Contractual adjustments with uncompensated care reimbursement	<u>(29,474,848)</u>	<u>(30,982,923)</u>	<u>(32,620,169)</u>
Program patient service revenue with Medicaid UCC reimbursement	\$ <u>29,584,482</u>	\$ <u>25,366,536</u>	\$ <u>27,211,077</u>
Percent of gross patient charges	64%	61%	64%
Percent of total net patient revenue	68%	61%	65%

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 9 - NET PATIENT SERVICE REVENUE (Continued)

The Hospital received interim amounts of \$2,782,139, \$1,866,744 and \$5,342,412 for Medicaid and self-pay uncompensated care services for the years ended June 30, 2010, 2009 and 2008, respectively, which represents 6%, 4%, and 13% of the net patient service revenues, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations limit uncompensated cost to actual cost incurred by the Hospital in each state fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. *To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise.* Future uncompensated cost payments are dependent upon state appropriations, which require annual approval by the state legislature. Should the State not fund or substantially change this program, it would have a significant impact on the Hospital's revenue.

NOTE 10 - RETIREMENT PROGRAM

Employees may participate in a qualified defined contribution retirement plan. Each employee is eligible to join the plan immediately upon employment. Employees become vested in the employer's contribution 25% per year until 100% vested at 4 years of employment. The District must make contributions equal to 25% of the employee's required contribution and can elect to contribute up to 100% of the employee's required contribution.

Total payroll	\$	19,175,014
Total covered payroll	\$	11,532,750
Employee contributions	\$	461,310
Employer contributions	\$	323,758
Less forfeitures		13,684
Net employer contributions	\$	<u>310,074</u>

NOTE 11 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund established by the State of Louisiana to provide medical professional liability coverage to health care providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk. The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. Legal action in an attempt to overturn this legislation on constitutional grounds is in process.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are redetermined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 12 - WORKMEN'S COMPENSATION RISK

The District participates in the Louisiana Hospital Association Self Insurance Workmen's Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations and equity amounts assigned to the District by the Trust Fund in its financial statements.

NOTE 13 - CHARITY CARE

The Hospital has a policy of providing charity care to indigent patients in emergency situations. Amounts identified as charity care charges are \$341,173, \$570,398 and \$404,256 for the years ended June 30, 2010, 2009 and 2008, respectively. The related cost of care was approximately 49%, 48% and 47%, for the fiscal years ended in 2010, 2009 and 2008, respectively.

NOTE 14 - NET CONTRIBUTIONS

Contributions and related fundraising expenses are reflected in the following table.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contributions	\$ 55,843	\$ 44,128	\$ 40,164
Interest earned on contributions	5,708	7,363	14,384
Less fundraising expenses	<u>(20,821)</u>	<u>(13,664)</u>	<u>(10,998)</u>
Net contributions	\$ <u>40,730</u>	\$ <u>37,827</u>	\$ <u>43,550</u>

NOTE 15 - SELF-FUNDED BENEFITS PLAN

The District maintains a self-funded medical/dental benefits plan. The District entered into an agreement as of 2003, with Benefit Management Services, for supervision of the plan. The Hospital purchases "excess" insurance coverage that provides for payment of 100% of claims in excess of \$70,000 per year up to specific individual maximums of \$930,000.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 16 - NOTES RECEIVABLE AND PHYSICIAN CONTRACT GUARANTEES

The following is a summary at June 30. Management asserts no allowances for uncollectible accounts are needed.

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Physician notes	\$ -0-	\$ 27,730	\$ 62,255
Physician contract guarantees	<u>1,143,454</u>	<u>613,775</u>	<u>827,461</u>
	1,143,454	641,505	889,716
Less current maturities	<u>(367,446)</u>	<u>(352,153)</u>	<u>(332,083)</u>
Long-term notes receivable	\$ <u>776,008</u>	\$ <u>289,352</u>	\$ <u>557,633</u>

NOTE 17 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited.

The principal contingencies are described below:

Third-Party Government-Based Revenues (Note 1) - Cost reimbursements are subject to examination by agencies administering the programs. Effective October 1, 1983, the Medicare program discontinued its cost-based reimbursement system for inpatient services. Under the program, the District receives a fixed fee for each patient, which is determined by the government. The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations, and general instructions of those programs. The amount of such adjustments cannot be determined.

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as privacy, licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 11) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2010, 2009 AND 2008

NOTE 17 - CONTINGENCIES (Continued)

Workmen's Compensation Risk (Note 12) - The District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund.

Hill-Burton Uncompensated Service and Community Service Obligations - As a result of the District receiving a Federal Hill-Burton program grant, the District is required to provide a reasonable volume of uncompensated services to patients who are unable to pay for their medical care. The District's obligation for uncompensated services was fulfilled on July 17, 1998. Additionally, the District is obligated to provide community service.

NOTE 18 - SUBSEQUENT EVENTS

Events have been evaluated through December 1, 2010, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

NOTE 19 - AD VALOREM TAXES

The District levies a property tax on all property subject to taxation in the service district. A 5.53 mill tax is approved for a period of ten years, beginning with the year 2003 and ending with the year 2012, to be dedicated and used for operating, maintaining, renovating, and improving emergency medical services. Property taxes are collected through the local sheriff's office and remitted, net of collection fees, to the District. Property tax notices are mailed by November 15 each year, are due by December 31, and become delinquent on January 31.

NOTE 20 - COMMITMENTS

The Hospital entered into a construction contract, which totaled \$369,000, including change orders as of June 30, 2010. The Hospital paid \$83,212 towards this commitment as of June 30, 2010.

SUPPLEMENTARY INFORMATION

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2010

	<u>Natchitoches</u>		<u>Natchitoches</u>	<u>Natchitoches</u>	<u>Natchitoches</u>	<u>Regional</u>	<u>Eliminating</u>	<u>Consolidated</u>
	<u>Regional</u>	<u>Medical</u>	<u>Outpatient</u>	<u>Hospital</u>	<u>Assisted</u>	<u>Cardiology</u>	<u>Entries</u>	
	<u>Center</u>	<u>Services, LLC</u>	<u>LLC</u>	<u>Foundation</u>	<u>Living, LLC</u>	<u>Clinic, LLC</u>		
ASSETS								
Current:								
Cash and cash equivalents	\$ 3,957,795	\$ 476,145	\$ -0-	\$ -0-	\$ 126,244	\$ 121,279	\$ -0-	\$ 4,681,463
Limited use assets	449,120	-0-	329,498	-0-	-0-	-0-	-0-	778,618
Patient accounts receivable, net	4,895,581	327,686	-0-	-0-	-0-	84,860	-0-	5,308,127
Estimated third-party payor settlements	1,328,496	-0-	-0-	-0-	-0-	-0-	-0-	1,328,496
Other receivables	130,733	(5,427)	-0-	-0-	210	-0-	-0-	125,516
Inventory	1,311,911	4,760	-0-	-0-	2,064	6,977	-0-	1,325,712
Prepaid expenses	835,354	3,915	-0-	-0-	3,631	20,990	-0-	863,890
Notes receivable - current	367,446	-0-	-0-	-0-	-0-	-0-	-0-	367,446
Total current assets	13,276,436	807,079	329,498	132,149	234,106	-0-	-0-	14,779,268
Other:								
Limited use assets	11,428,298	-0-	-0-	-0-	-0-	-0-	-0-	11,428,298
Property, plant and equipment, net	34,359,429	170,427	-0-	-0-	1,860,769	409,769	-0-	36,800,394
Bond issue cost, net	80,054	-0-	-0-	-0-	-0-	-0-	-0-	80,054
Capitalized construction interest	2,077,106	-0-	-0-	-0-	-0-	-0-	-0-	2,077,106
Notes receivable	776,008	-0-	-0-	-0-	-0-	-0-	-0-	776,008
Investments	500,000	-0-	-0-	-0-	-0-	-0-	-0-	500,000
Other	2,908,517	-0-	-0-	-0-	-0-	230,735	(2,846,777)	292,475
Total assets	\$ 65,405,848	\$ 977,506	\$ 329,498	\$ 1,992,918	\$ 874,610	\$ (2,846,777)	\$	\$ 66,733,603

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET (Continued)
JUNE 30, 2010

	<u>Natchitoches</u>		<u>Natchitoches</u>		<u>Natchitoches</u>		<u>Natchitoches</u>		<u>Regional</u>		<u>Eliminating</u>		<u>Consolidated</u>	
	<u>Regional</u>	<u>Medical</u>	<u>Outpatient</u>	<u>Services, LLC</u>	<u>Hospital</u>	<u>Foundation</u>	<u>Assisted</u>	<u>Living, LLC</u>	<u>Cardiology</u>	<u>Clinic, LLC</u>	<u>Entries</u>			
<u>LIABILITIES AND NET ASSETS</u>	<u>Center</u>													
Current:														
Accounts payable	\$ 2,139,400	\$ 32,921	\$ -0-	\$ -0-	\$ -0-	\$ 34,895	\$ 8,703	\$ 13,688	\$ 3,330	\$ -0-	\$ -0-	\$ 2,220,904		
Accrued expenses	2,177,536	25,520	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,215,089		
Unearned revenue	15,990	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	15,990		
Estimated third-party payor settlements	300,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	300,000		
Current portion of long-term debt	845,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	845,000		
Total current liabilities	5,477,926	58,441	-0-	-0-	-0-	-0-	43,598	-0-	17,018	-0-	-0-	5,596,983		
Long-term liabilities:														
Long-term debt	13,645,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	13,645,000		
Total liabilities	19,122,926	58,441	-0-	-0-	-0-	-0-	43,598	-0-	17,018	-0-	-0-	19,241,983		
Net assets:														
Invested in capital assets, net of related debt	19,869,429	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	2,440,965	22,310,394		
Restricted net assets	449,120	-0-	-0-	-0-	329,498	-0-	-0-	-0-	-0-	-0-	-0-	778,618		
Unrestricted net assets	25,964,373	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	(2,440,965)	23,523,408		
Total controlling net assets	46,282,922	-0-	-0-	-0-	329,498	-0-	-0-	-0-	-0-	-0-	-0-	46,812,420		
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	879,200	879,200		
Total net assets	46,282,922	-0-	-0-	-0-	329,498	-0-	-0-	-0-	-0-	-0-	879,200	47,491,620		
Members' equity	-0-	919,065	-0-	-0-	-0-	-0-	1,949,320	-0-	857,592	-0-	(3,725,977)	-0-		
Total liabilities and net assets	\$ 65,405,848	\$ 977,506	\$ 329,498	\$ 1,992,918	\$ 874,610	\$ (2,846,777)	\$ 66,723,603							

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	<u>Natchitoches</u> Regional Medical Center	<u>Natchitoches</u> Outpatient Services, LLC	<u>Natchitoches</u> Hospital Foundation	<u>Natchitoches</u> Assisted Living, LLC	<u>Regional</u> Cardiology Clinic, LLC	<u>Eliminating</u> Entries	<u>Consolidated</u>
Revenue:							
Net patient service revenue	\$ 41,740,991	\$ 1,542,373	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 43,548,188
Other revenue	3,463,133	15,460	-0-	531,771	58,085	(458,832)	3,609,617
Total revenue	45,204,124	1,557,833	-0-	531,771	322,909	(458,832)	47,157,805
Expenses:							
Salaries and benefits	20,880,731	394,003	-0-	233,958	142,909	-0-	21,651,601
Medical supplies and drugs	3,771,595	35,720	-0-	-0-	42,275	-0-	3,849,590
Medical, professional and consulting	4,628,691	226,889	-0-	-0-	-0-	-0-	4,855,580
Other expenses	7,764,412	427,737	8,000	136,995	104,083	(135,888)	8,307,339
Retirement	304,188	5,886	-0-	-0-	-0-	-0-	310,074
Insurance	1,279,280	16,028	-0-	17,669	4,416	-0-	1,317,393
Leases	13,978	-0-	-0-	-0-	-0-	-0-	13,978
Depreciation and amortization	3,675,957	450,422	-0-	84,827	49,325	-0-	4,260,531
Total expenses	42,318,832	1,556,885	8,000	475,449	343,008	(135,888)	44,586,086
Operating income (loss)	2,885,292	1,148	(8,000)	56,322	(20,099)	(322,944)	2,591,719
Nonoperating income:							
Interest income	14,955	244	-0-	176	-0-	-0-	15,375
Interest income from limited use assets	185,672	-0-	-0-	-0-	-0-	-0-	185,672
Interest expense	(581,794)	-0-	-0-	-0-	-0-	-0-	(581,794)
Net contributions	-0-	-0-	-0-	-0-	-0-	-0-	40,730
Total nonoperating income	(381,167)	244	40,730	176	-0-	-0-	(340,017)
Excess of revenue over expenses	\$ 2,504,125	\$ 1,392	\$ 32,730	\$ 56,498	\$ (20,099)	\$ (322,944)	\$ 2,251,702

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED JUNE 30, 2010

	Natchitoches Regional Medical Center		Natchitoches Outpatient Services, LLC		Natchitoches Hospital Foundation		Natchitoches Assisted Living, LLC		Regional Cardiology Clinic, LLC		Eliminating Entities		Consolidated	
Less: consolidated net income attributable to noncontrolling interest	\$	-0-	\$	-0-	\$	-0-	\$	-0-	\$	-0-	\$	8,717	\$	8,717
Other comprehensive income														
Unrealized holding gains (losses)		<u>87,700</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>(1)</u>		<u>87,699</u>
Comprehensive income (loss)		2,591,825		1,392		32,730		56,498		(20,099)		(314,228)		2,348,118
Net assets at beginning of year		43,691,097		917,673		296,769		1,892,820		-0-		(2,534,057)		44,264,302
Capital contribution		-0-		-0-		-0-		-0-		877,691		(877,691)		-0-
Distribution paid		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>		<u>-0-</u>
Net assets at end of year	\$	<u>46,282,922</u>	\$	<u>919,065</u>	\$	<u>329,499</u>	\$	<u>1,949,318</u>	\$	<u>857,592</u>	\$	<u>(3,725,976)</u>	\$	<u>46,612,420</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2009

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Eliminating Entries	Consolidated
ASSETS						
Current:						
Cash and cash equivalents	\$ 4,526,412	\$ 165,409	\$ -0-	\$ 201,143	\$ -0-	\$ 4,892,964
Limited use assets	2,650,254	-0-	296,768	-0-	-0-	2,947,022
Patient accounts receivable, net	4,894,643	242,331	-0-	200	-0-	5,137,174
Estimated third-party payor settlements	335,698	-0-	-0-	-0-	-0-	335,698
Other receivables	122,541	4,793	-0-	210	-0-	127,544
Inventory	1,325,777	11,322	-0-	1,208	-0-	1,338,307
Prepaid expenses	872,611	5,735	-0-	3,340	-0-	881,686
Notes receivable - current	352,153	-0-	-0-	-0-	-0-	352,153
Total current assets	15,080,089	429,590	296,768	206,101	-0-	16,012,548
Other:						
Limited use assets	9,903,980	-0-	-0-	-0-	-0-	9,903,980
Property, plant and equipment, net	35,299,334	452,277	-0-	1,712,343	-0-	37,463,954
Bond issue cost, net	85,017	-0-	-0-	-0-	-0-	85,017
Capitalized construction interest	1,990,681	-0-	-0-	-0-	-0-	1,990,681
Notes receivable	289,352	-0-	-0-	-0-	-0-	289,352
Other	2,111,550	171,000	-0-	-0-	(2,084,110)	198,440
Total assets	\$ 64,760,003	\$ 1,052,867	\$ 296,768	\$ 1,918,444	\$ (2,084,110)	\$ 65,943,972

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET (Continued)
JUNE 30, 2009

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Eliminating Entities	Consolidated
LIABILITIES AND NET ASSETS						
Current:						
Accounts payable	\$ 3,591,839	\$ 94,347	\$ -0-	\$ 17,686	\$ -0-	\$ 3,703,872
Accrued expenses	1,799,063	40,845	-0-	7,937	-0-	1,847,845
Unearned revenue	12,342	-0-	-0-	-0-	-0-	12,342
Estimated third-party payor settlements	375,662	-0-	-0-	-0-	-0-	375,662
Current portion of long-term debt	800,000	-0-	-0-	-0-	-0-	800,000
Total current liabilities	6,578,906	135,192	-0-	25,623	-0-	6,739,721
Long-term liabilities:						
Long-term debt	14,490,000	-0-	-0-	-0-	-0-	14,490,000
Total liabilities	21,068,906	135,192	-0-	25,623	-0-	21,229,721
Net assets:						
Invested in capital assets, net of related debt	20,009,334	-0-	-0-	-0-	2,164,620	22,173,954
Restricted net assets	2,650,254	-0-	296,788	-0-	-0-	2,947,022
Unrestricted net assets	21,031,509	-0-	-0-	-0-	(1,888,183)	19,143,326
Total controlling net assets	43,691,097	-0-	296,768	-0-	276,437	44,264,302
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	449,949	449,949
Total net assets	43,691,097	-0-	296,768	-0-	726,386	44,714,251
Members' equity	-0-	917,675	-0-	1,892,821	(2,810,496)	-0-
Total liabilities and net assets	\$ 64,760,003	\$ 1,052,867	\$ 296,768	\$ 1,918,444	\$ (2,084,110)	\$ 65,943,972

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009

	<u>Natchitoches Regional Medical Center</u>	<u>Natchitoches Outpatient Services, LLC</u>	<u>Natchitoches Hospital Foundation</u>	<u>Natchitoches Assisted Living, LLC</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Revenue:						
Net patient service revenue	\$ 40,145,814	\$ 1,629,161	\$ -0-	\$ -0-	\$ -0-	\$ 41,774,975
Other revenue	2,745,050	30,292	-0-	849,886	(99,480)	3,325,748
Total revenue	<u>42,890,864</u>	<u>1,659,453</u>	<u>-0-</u>	<u>849,886</u>	<u>(99,480)</u>	<u>45,100,723</u>
Expenses:						
Salaries and benefits	21,082,348	451,185	-0-	222,979	-0-	21,756,512
Medical supplies and drugs	3,704,912	48,502	-0-	-0-	-0-	3,753,414
Medical, professional and consulting	4,411,838	130,510	-0-	-0-	-0-	4,542,348
Other expenses	8,063,270	518,202	36,050	158,330	(99,480)	8,676,372
Retirement	67,917	6,168	-0-	-0-	-0-	74,085
Insurance	1,267,550	18,504	-0-	15,866	-0-	1,301,920
Leases	21,100	-0-	-0-	-0-	-0-	21,100
Depreciation and amortization	3,203,866	279,448	-0-	71,837	-0-	3,555,171
Total expenses	<u>41,822,821</u>	<u>1,452,519</u>	<u>36,050</u>	<u>459,012</u>	<u>(99,480)</u>	<u>43,680,922</u>
Operating income (loss)	<u>1,068,043</u>	<u>206,934</u>	<u>(36,050)</u>	<u>180,874</u>	<u>-0-</u>	<u>1,419,801</u>
Nonoperating income:						
Interest income	29,673	2,008	-0-	1,216	-0-	32,897
Interest income from limited use assets	366,242	-0-	-0-	-0-	-0-	366,242
Interest expense	(443,550)	(23,843)	-0-	-0-	-0-	(467,393)
Net contributions	-0-	-0-	37,827	-0-	-0-	37,827
Total nonoperating income	<u>(47,635)</u>	<u>(21,835)</u>	<u>37,827</u>	<u>1,216</u>	<u>-0-</u>	<u>(30,427)</u>
Excess of revenue over expenses	\$ 1,020,408	\$ 185,099	\$ 1,777	\$ 182,090	\$ -0-	\$ 1,389,374

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED JUNE 30, 2009

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Eliminating Entries	Consolidated
Less: consolidated net income attributable to noncontrolling interest	\$ -0- \$	-0- \$	-0- \$	-0- \$	(90,754) \$	(90,754)
Other comprehensive income						
Unrealized holding gains (losses)	154,021	-0-	-0-	-0-	(497)	153,524
Comprehensive income (loss)	1,174,429	185,099	1,777	182,090	(91,251)	1,452,144
Net assets at beginning of year	42,516,668	802,574	294,992	1,435,730	(2,237,806)	42,812,158
Capital contribution	-0-	-0-	-0-	450,000	(450,000)	-0-
Distribution paid	-0-	(70,000)	-0-	(175,000)	245,000	-0-
Net assets at end of year	\$ 43,691,097 \$	917,673 \$	296,769 \$	1,892,820 \$	(2,534,057) \$	44,264,302

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET
JUNE 30, 2008

ASSETS		Natchitoches				Eliminating Entries	Consolidated
	Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC			
Current:							
Cash and cash equivalents	\$ 1,780,716	\$ 95,793	\$ -0-	\$ 148,505	\$ -0-	\$ -0-	\$ 2,025,014
Limited use assets	425,676	-0-	294,992	-0-	-0-	-0-	720,668
Patient accounts receivable, net	5,655,087	500,357	-0-	-0-	-0-	-0-	6,155,444
Estimated third-party payor settlements	359,188	-0-	-0-	-0-	-0-	-0-	359,188
Other receivables	144,409	(7,456)	-0-	105	-0-	-0-	137,058
Inventory	1,345,022	17,898	-0-	1,208	-0-	-0-	1,364,128
Prepaid expenses	785,512	8,634	-0-	9,027	-0-	-0-	803,173
Notes receivable - current	332,083	-0-	-0-	-0-	-0-	-0-	332,083
Total current assets	10,827,693	615,226	294,992	158,845	-0-	-0-	11,896,756
Other:							
Limited use assets	8,522,223	-0-	-0-	-0-	-0-	-0-	8,522,223
Property, plant and equipment, net	30,551,286	729,297	-0-	1,314,179	-0-	-0-	32,594,762
Bond issue cost, net	40,395	-0-	-0-	-0-	-0-	-0-	40,395
Capitalized construction interest	1,748,688	-0-	-0-	-0-	-0-	-0-	1,748,688
Notes receivable	557,633	-0-	-0-	-0-	-0-	-0-	557,633
Other	1,871,681	171,000	-0-	-0-	(1,844,241)	-0-	198,440
Total assets	\$ 54,119,599	\$ 1,515,523	\$ 294,992	\$ 1,473,024	\$ (1,844,241)	\$ -	\$ 55,558,897

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING BALANCE SHEET (Continued)
JUNE 30, 2008

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Eliminating Entries	Consolidated
LIABILITIES AND NET ASSETS						
Current:						
Accounts payable	\$ 1,737,645	\$ 19,951	\$ -0-	\$ 23,663	\$ -0-	\$ 1,781,259
Accrued expenses	1,764,061	40,547	-0-	13,631	-0-	1,818,239
Unearned revenue	1,227	-0-	-0-	-0-	-0-	1,227
Estimated third-party payor settlements	400,000	-0-	-0-	-0-	-0-	400,000
Current portion of long-term debt	410,000	303,960	-0-	-0-	-0-	713,960
Total current liabilities	4,312,933	364,458	-0-	37,294	-0-	4,714,685
Long-term liabilities:						
Long-term debt	7,290,000	348,489	-0-	-0-	-0-	7,638,489
Total liabilities	11,602,933	712,947	-0-	37,294	-0-	12,353,174
Net assets:						
Invested in capital assets, net of related debt	22,851,286	-0-	-0-	-0-	1,391,027	24,242,313
Restricted net assets	425,676	-0-	294,992	-0-	-0-	720,668
Unrestricted net assets	19,239,704	-0-	-0-	-0-	(1,390,527)	17,849,177
Total controlling net assets	42,516,666	-0-	294,992	-0-	500	42,812,158
Noncontrolling interest in subsidiary	-0-	-0-	-0-	-0-	393,565	393,565
Total net assets	42,516,666	-0-	294,992	-0-	394,065	43,205,723
Members' equity	-0-	802,576	-0-	1,435,730	(2,238,306)	-0-
Total liabilities and net assets	\$ 54,119,599	\$ 1,515,523	\$ 294,992	\$ 1,473,024	\$ (1,844,241)	\$ 55,558,897

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008

	Natchitoches Regional Medical Center	Natchitoches Outpatient Services, LLC	Natchitoches Hospital Foundation	Natchitoches Assisted Living, LLC	Eliminating Entries	Consolidated
Revenue:						
Net patient service revenue	\$ 39,907,985	\$ 1,857,138	\$ -0-	\$ -0-	\$ (942)	\$ 41,764,181
Other revenue	3,024,546	16,333	-0-	635,239	(454,158)	3,221,960
Total revenue	<u>42,932,531</u>	<u>1,873,471</u>	<u>-0-</u>	<u>635,239</u>	<u>(455,100)</u>	<u>44,986,141</u>
Expenses:						
Salaries and benefits	20,371,791	457,164	-0-	211,261	-0-	21,040,216
Medical supplies and drugs	3,595,571	44,519	-0-	-0-	-0-	3,640,090
Medical, professional and consulting	4,795,855	189,198	-0-	-0-	-0-	4,985,053
Other expenses	8,241,615	521,849	11,199	149,548	(100,730)	8,823,481
Retirement	240,389	7,026	-0-	-0-	-0-	247,415
Insurance	1,144,118	23,084	-0-	14,684	-0-	1,181,896
Leases	19,731	-0-	-0-	-0-	-0-	19,731
Depreciation and amortization	3,098,503	290,672	-0-	62,788	-0-	3,451,963
Total expenses	<u>41,507,573</u>	<u>1,533,522</u>	<u>11,199</u>	<u>438,281</u>	<u>(100,730)</u>	<u>43,389,845</u>
Operating income (loss)	<u>1,424,958</u>	<u>339,949</u>	<u>(11,199)</u>	<u>196,958</u>	<u>(354,370)</u>	<u>1,596,296</u>
Nonoperating income:						
Interest income	47,172	5,803	-0-	3,945	-0-	56,920
Interest income from limited use assets	381,107	-0-	-0-	-0-	-0-	381,107
Interest expense	(467,850)	(44,247)	-0-	-0-	-0-	(512,097)
Net contributions	-0-	-0-	43,550	-0-	-0-	43,550
Total nonoperating income	<u>(39,571)</u>	<u>(38,444)</u>	<u>43,550</u>	<u>3,945</u>	<u>-0-</u>	<u>(30,520)</u>
Excess of revenue over expenses	\$ 1,385,387	\$ 301,505	\$ 32,351	\$ 200,903	\$ (354,370)	\$ 1,565,776

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS (Continued)
YEAR ENDED JUNE 30, 2008

	<u>Natchitoches Regional Medical Center</u>	<u>Natchitoches Outpatient Services, LLC</u>	<u>Natchitoches Hospital Foundation</u>	<u>Natchitoches Assisted Living, LLC</u>	<u>Eliminating Entries</u>	<u>Consolidated</u>
Less: consolidated net income attributable to noncontrolling interest	\$ -0- \$	-0- \$	-0- \$	-0- \$	(148,039) \$	(148,039)
Other comprehensive income						
Unrealized holding gains (losses)	<u>(30,076)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(30,076)</u>
Comprehensive income (loss)	1,355,311	301,505	32,351	200,903	(502,409)	1,387,661
Net assets at beginning of year	41,161,357	701,069	262,641	-0-	(700,570)	41,424,497
Capital contribution	-0-	-0-	-0-	1,234,827	(1,234,827)	-0-
Distribution paid	<u>-0-</u>	<u>(200,000)</u>	<u>-0-</u>	<u>-0-</u>	<u>200,000</u>	<u>-0-</u>
Net assets at end of year	\$ <u>42,516,668</u> \$	<u>802,574</u> \$	<u>294,992</u> \$	<u>1,435,730</u> \$	<u>(2,237,806)</u> \$	<u>42,812,158</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Daily patient services:			
Routine services	\$ 3,196,073	\$ 3,315,683	\$ 3,591,724
Intensive care	1,351,390	1,345,720	1,401,640
Nursery	230,222	294,132	303,733
Long-term care	4,819,176	4,588,309	4,261,888
Swing bed	1,300	2,348	2,058
Geriatric psych	<u>3,355,740</u>	<u>3,065,280</u>	<u>3,252,740</u>
Total daily patient services	<u>12,953,901</u>	<u>12,611,472</u>	<u>12,813,783</u>
Other professional services:			
Operating and recovery room			
Inpatient	6,001,669	5,798,377	5,448,609
Outpatient	<u>5,785,739</u>	<u>5,855,157</u>	<u>5,966,820</u>
Total	<u>11,787,408</u>	<u>11,653,534</u>	<u>11,415,429</u>
Labor and delivery			
Inpatient	599,673	709,946	721,850
Outpatient	<u>82,223</u>	<u>122,580</u>	<u>124,735</u>
Total	<u>681,896</u>	<u>832,526</u>	<u>846,585</u>
Anesthesia			
Inpatient	274,779	263,925	158,785
Outpatient	<u>467,363</u>	<u>428,056</u>	<u>224,090</u>
Total	<u>742,142</u>	<u>691,981</u>	<u>382,875</u>
Radiology, ultrasound, MRI & CT scan			
Inpatient	3,646,325	3,831,330	3,999,414
Outpatient	<u>14,274,218</u>	<u>15,024,956</u>	<u>14,815,202</u>
Total	<u>17,920,543</u>	<u>18,856,286</u>	<u>18,814,616</u>
Laboratory			
Inpatient	5,421,526	5,020,257	5,222,727
Outpatient	<u>7,012,243</u>	<u>6,693,746</u>	<u>6,386,177</u>
Total	\$ <u>12,433,769</u>	\$ <u>11,714,003</u>	\$ <u>11,608,904</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Blood			
Inpatient	\$ 581,041	\$ 468,015	\$ 503,933
Outpatient	<u>202,695</u>	<u>163,442</u>	<u>174,867</u>
Total	<u>783,736</u>	<u>631,457</u>	<u>678,800</u>
Inhalation therapy			
Inpatient	4,303,020	3,965,298	4,266,076
Outpatient	<u>593,300</u>	<u>610,341</u>	<u>560,708</u>
Total	<u>4,896,320</u>	<u>4,575,639</u>	<u>4,826,784</u>
Physical therapy			
Inpatient	632,394	575,809	493,758
Outpatient	<u>1,536,249</u>	<u>1,708,874</u>	<u>1,713,821</u>
Total	<u>2,168,643</u>	<u>2,284,683</u>	<u>2,207,579</u>
Occupational therapy			
Inpatient	414,134	222,763	202,376
Outpatient	<u>115,372</u>	<u>109,844</u>	<u>117,939</u>
Total	<u>529,506</u>	<u>332,607</u>	<u>320,315</u>
Speech therapy			
Inpatient	38,794	23,596	23,653
Outpatient	<u>155,432</u>	<u>135,603</u>	<u>162,588</u>
Total	<u>194,226</u>	<u>159,199</u>	<u>186,241</u>
Electrocardiology			
Inpatient	930,303	1,342,738	1,592,463
Outpatient	<u>1,575,785</u>	<u>2,868,174</u>	<u>3,173,050</u>
Total	<u>2,506,088</u>	<u>4,210,912</u>	<u>4,765,513</u>
Central services			
Inpatient	1,390,653	1,313,301	1,350,214
Outpatient	<u>360,673</u>	<u>425,771</u>	<u>690,529</u>
Total	<u>1,751,326</u>	<u>1,739,072</u>	<u>2,040,743</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Pharmacy			
Inpatient	\$ 7,674,542	\$ 7,108,676	\$ 7,584,038
Outpatient	<u>1,694,848</u>	<u>1,527,104</u>	<u>1,677,701</u>
Total	<u>9,369,390</u>	<u>8,635,780</u>	<u>9,261,739</u>
Cardiac rehab			
Outpatient	<u>-0-</u>	<u>(1,208)</u>	<u>1,208</u>
Emergency room			
Inpatient	1,041,819	1,115,879	1,361,962
Outpatient	<u>6,800,497</u>	<u>6,486,825</u>	<u>6,866,282</u>
Total	<u>7,842,316</u>	<u>7,602,704</u>	<u>8,228,244</u>
Observation			
Outpatient	<u>445,841</u>	<u>349,089</u>	<u>340,655</u>
Ambulance			
Outpatient	<u>3,656,863</u>	<u>3,466,950</u>	<u>2,982,566</u>
Physician clinic			
Outpatient	<u>502,347</u>	<u>466,119</u>	<u>403,788</u>
Campti clinic			
Outpatient	\$ <u>338,561</u>	\$ <u>248,592</u>	\$ <u>33,901</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Intensive outpatient psychiatric services			
Outpatient	\$ <u>1,008,488</u>	\$ <u>794,935</u>	\$ <u>751,450</u>
Total other professional services	<u>79,559,409</u>	<u>79,244,860</u>	<u>80,097,935</u>
Total patient service charges	92,513,310	91,856,332	92,911,718
Contractual adjustments - Medicare and Medicaid	32,256,987	32,849,667	37,962,581
Contractual adjustments - other	12,040,963	13,110,756	10,871,658
Provision for bad debts	6,946,095	5,284,857	7,242,759
Free care	341,173	570,398	404,256
Other deductions	162,043	132,423	8,695
Uncompensated care reimbursement	<u>(2,782,139)</u>	<u>(1,866,744)</u>	<u>(5,342,412)</u>
Total allowances	<u>48,965,122</u>	<u>50,081,357</u>	<u>51,147,537</u>
Net patient service revenue	\$ <u><u>43,548,188</u></u>	\$ <u><u>41,774,975</u></u>	\$ <u><u>41,764,181</u></u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF OTHER REVENUE
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Other revenue:			
Rental income	\$ 874,657	\$ 991,301	\$ 976,166
Assisted living housing & care income	531,771	649,886	636,181
Medical records	3,929	10,321	7,279
Dietary sales	239,336	260,124	255,760
Vending revenue	39,615	39,923	40,630
Ambulance tax	1,096,932	1,063,933	982,752
Grants	15,000	32,108	77,684
Gain on sale of equipment	230,834	-0-	163,731
Ambulance subsidiary	444,426	200,000	-0-
Other	<u>133,117</u>	<u>78,152</u>	<u>81,777</u>
 Total other operating revenue	 \$ <u>3,609,617</u>	 \$ <u>3,325,748</u>	 \$ <u>3,221,960</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Salaries:			
Human resources	\$ 149,506	\$ 122,049	\$ 116,662
Administration	503,913	431,248	515,810
Information systems	142,211	133,876	134,305
Accounting	197,773	195,475	186,763
Admitting	356,186	398,253	408,535
Business office	340,316	367,076	374,493
Housekeeping	384,205	394,456	390,343
Dietary and cafeteria	354,240	387,388	421,250
Laundry	47,898	39,586	42,832
Plant operations and maintenance	283,987	250,619	283,229
Nursing administration	987,727	1,061,931	941,750
Medical records	255,827	276,326	310,822
Nursing services	1,984,249	2,030,909	2,002,155
ICU	862,686	885,958	884,076
Geriatric psych	588,297	597,306	535,169
Nursery	377,693	366,662	247,957
Long-term care	2,480,767	2,334,925	2,205,112
Operating room	960,325	988,469	992,447
Labor and delivery	321,662	357,882	352,500
Anesthesiology	82	173	-0-
Radiology	883,616	880,618	875,635
Laboratory	698,235	687,530	681,706
Respiratory therapy	506,889	489,130	466,032
Physical therapy	615,610	735,460	916,132
Occupational therapy	149,158	108,989	69,512
Speech therapy	59,093	59,028	69,940
Cardiovascular	81,894	171,616	166,269
Purchasing	166,313	163,406	160,584
Pharmacy	280,311	292,784	207,599
Cardiac rehab	-0-	-0-	841
Intensive outpatient psychiatric services	66,206	53,183	33,147
Emergency room	2,009,105	2,134,287	2,125,682
Ambulance	1,441,875	1,250,609	1,141,928
Physician clinic	217,593	164,152	155,278
Campti clinic	111,221	211,487	87,620
Assisted living	215,119	204,457	192,502
Sports medicine	93,226	133,961	-0-
Total salaries	\$ 19,175,014	\$ 19,361,264	\$ 18,696,617

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – SALARIES AND BENEFITS (Continued)
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Benefits:			
FICA and Medicare tax	\$ 1,387,277	\$ 1,404,790	\$ 1,353,585
Hospital insurance	1,055,119	968,220	971,916
Other	<u>34,191</u>	<u>29,738</u>	<u>18,098</u>
 Total benefits (excluding retirement)	 <u>2,476,587</u>	 <u>2,402,748</u>	 <u>2,343,599</u>
 Total salaries and benefits	 \$ <u>21,651,601</u>	 \$ <u>21,764,012</u>	 \$ <u>21,040,216</u>

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL SUPPLIES AND DRUGS
YEARS ENDED JUNE 30,

	<u>2010</u>		<u>2009</u>		<u>2008</u>
Nursing service	\$ 56,904	\$	47,091	\$	55,548
ICU	35,352		36,048		32,632
Geriatric psych	4,953		4,644		5,543
Nursery	17,922		21,518		18,607
Long-term care	198,103		219,901		250,425
Operating room	1,649,302		1,478,419		1,381,247
Labor and delivery	102,323		123,229		120,444
Anesthesiology	36,790		35,731		42,188
Radiology, nuclear medicine, CT scan	191,962		244,279		253,860
Laboratory and blood	891,885		911,692		882,288
Respiratory therapy	183,322		196,454		182,491
Physical therapy	15,812		23,168		17,408
Occupational therapy	-0-		85		-0-
EKG	10,008		21,515		14,578
Central supply	201,809		183,155		175,060
Pharmacy	28,152		24,534		25,440
Emergency room	131,760		136,905		141,361
Ambulance	41,948		34,654		30,752
Physician clinic	43,859		4,840		6,183
Campfi clinic	7,040		5,313		3,817
Intensive outpatient psychiatric services	<u>384</u>		<u>239</u>		<u>218</u>
 Total medical supplies and drugs	 \$ <u>3,849,590</u>	 \$	 <u>3,753,414</u>	 \$	 <u>3,640,090</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – MEDICAL, PROFESSIONAL AND
CONSULTING SERVICES
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Routine nursing	\$ 322,040	\$ 267,351	\$ 381,761
ICU	136,864	152,724	133,719
Geriatric psych	601,874	528,786	673,586
Nursery	5,457	1,843	21,256
LTCU	51,025	59,411	70,602
Operating room	124	-0-	2,920
Labor and delivery	14,194	18,073	4,990
Radiology, ultrasound, CT scan	207,872	135,227	151,618
Laboratory	227,250	234,115	291,193
Respiratory therapy	6,610	36,694	75,818
Physical therapy	122,044	98,979	114,649
Occupational therapy	14,771	4,984	21,413
Speech therapy	53	2,286	630
Pharmacy	1,948,674	1,828,102	1,955,528
Emergency room	862,407	763,499	697,323
Other	485	2,044	4,827
Sleep study	184,722	256,250	239,500
Intensive outpatient psychiatric services	123,600	123,600	120,000
School-based clinic	<u>25,514</u>	<u>28,380</u>	<u>23,720</u>
 Total medical, professional and consulting	 \$ <u>4,855,580</u>	 \$ <u>4,542,348</u>	 \$ <u>4,985,053</u>

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULES OF EXPENSES – OTHER
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Service fees	\$ 2,179,617	\$ 2,081,115	\$ 2,026,436
Legal and accounting	170,643	181,385	146,636
Non-medical supplies	1,833,692	1,822,378	1,982,896
Repairs and maintenance	723,479	1,001,187	864,398
Utilities	1,446,917	1,702,599	1,794,102
Telephone	70,889	91,387	82,149
Travel and fuel - ambulance	92,655	103,751	99,726
Travel and fuel - other	42,307	79,393	118,143
Rental expense	315,200	332,633	333,769
Education expense	31,258	16,554	34,639
Scholarships	8,000	36,050	11,199
Licenses, dues and subscriptions	431,245	374,344	323,731
Patient days tax	294,459	312,191	319,054
Advertising	62,882	76,254	95,779
Recruitment	544,793	407,862	455,684
Other	<u>59,303</u>	<u>57,289</u>	<u>135,140</u>
 Total other expenses	 \$ <u>8,307,339</u>	 \$ <u>8,676,372</u>	 \$ <u>8,823,481</u>

NATCHITOCHEs PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY

The Natchitoches Parish Hospital was built by the people of the Parish of Natchitoches, Louisiana, in cooperation with the United States Government, and is operated by the Natchitoches Parish Hospital Service District as created by the Police Jury of Natchitoches Parish, Louisiana.

In consideration of an agreement between the Police Jury of Natchitoches Parish, Louisiana, and the Natchitoches Parish Hospital Service District whereby the Police Jury agreed to construct, complete and equip a hospital in Natchitoches Parish, the Hospital Service District agrees to do and perform the following:

1. To operate the District for the duration of this twenty-year agreement as a non-profit institution in accordance with an agreement entered into by and between the Parish and the United States.
2. To maintain and operate the District and assume and pay the expenses of operations and maintenance to the extent of the income and revenues derived therefrom.
3. To have full and complete charge of the management and operation of the District and conduct and operate said District at all times in accordance with acceptable standards of hospital practice.

The Parish covenants to do and perform, as consideration for this agreement, the following:

1. To equip the hospital building for hospital purposes with modern equipment sufficient to meet the needs of present day hospital practice. If, however, the District desires to replace said equipment with new equipment, it may do so, and said new equipment shall be and remains the property of the Parish if paid for out of the income resulting from the operation of the District. It is understood and agreed, however, that the Parish shall not be responsible for the securing of additional equipment other than that already purchased or installed when the District takes possession of the premises.
2. To levy the special tax of one mill on the dollar of all property subject to state taxation in the Parish for a period of three years beginning with the year 1956, as authorized by the special election held in the Parish on November 15, 1955, and the Parish shall pay to the District the net proceeds of said tax, as when collected. Said net proceeds shall be used by the District solely to defray the costs of operating and maintaining the District described herein, and proceeds at such intervals as the Parish may require.

During the year ended September 30, 1965, the Natchitoches Parish Hospital was enlarged by the addition of a nursing home, an autopsy room, new patient rooms and additional administrative and storage space. The new construction was financed by: (1) a grant from the United States Government under the Hill-Burton Act in the amount of \$307,000; (2) proceeds of a \$400,000 bond issue; and, (3) revenues of the Natchitoches Parish Hospital. The \$400,000 of Natchitoches Parish, Louisiana, Hospital Improvement Revenue Bonds, 3 1/2%, Series 1963, were purchased by the United States of America, Housing and Home Finance Agency. These bonds were retired in 1979.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

On June 14, 1977, a seven million dollar (\$7,000,000) bond issue was passed by the people of Natchitoches Parish. The seven million dollars (\$7,000,000) consisted of four million five hundred thousand dollars (\$4,500,000) of Public Improvement Bonds to be paid by ad valorem taxes. Two million five hundred thousand dollars (\$2,500,000) were to be Revenue Bonds and were to be paid off out of the general operating revenue of the District. Pursuant to a public hearing held on March 6, 1979, the District was authorized to issue \$4,500,000 of Hospital Revenue Bonds in lieu of the \$2,500,000 of Hospital Revenue Bonds.

On May 22, 1978, the Public Improvement Bonds were sold. The Public Improvement Hospital Bonds are dated April 1, 1978, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding six and one-half percent (6 1/2%) per annum on any bond in any interest payment period. Said interest to be payable April 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year. Bonds numbered 204 to 900, inclusive, are callable for redemption by the District in the inverse order of their maturities, and if less than a full maturity, then by lot within such maturity, on any interest payment date on or after April 1, 1988, at the principal amount thereof and accrued interest to the date fixed for redemption, provided that official notice of such call of any of the bonds for redemption date by means of publication of an appropriate notice one time in a financial newspaper or journal published in the City of New York, or in the City of New Orleans, Louisiana, and sent by registered mail to the place of payment of the bonds. Bonds of this issue numbered 1 to 203, inclusive, are not callable for redemption prior to their stated dates of maturity. The bonds are secured by a special tax to be imposed and collected annually in excess of all other taxes on all the property subject to taxation within the territorial limits of the District. On October 1, 1985, funds were deposited in an irrevocable trust and zero coupon United States of America Trust securities were purchased. The securities began maturing in February 1995, and will be used to pay payments on the bonds until payment in full. No collections of taxes were required after that time.

In May, 1979, the Hospital Revenue Bonds were sold. These bonds are dated April 1, 1979, and are in denominations of five thousand dollars (\$5,000) each, and bear interest at a rate or rates not exceeding seven and seven-eighths percent (7 7/8%) per annum on any bond in any interest period. Said interest to be payable October 1, 1979, and semi-annually thereafter on April 1st and October 1st of each year.

The Series 1979 Revenue Bonds are also subject to redemption in whole, at any time, or in part, at any interest payment date, at the option of the District upon the occurrence of any of the following conditions or events: (1) if title to, or the permanent use of, or use for a limited period of, substantially all of the District is condemned; or (2) if the title to substantially all of the District is found to be deficient to the extent that the Hospital is untenable or the efficient utilization of the District by the District is substantially impaired; or (3) if substantially all of the District is damaged or destroyed by fire or other casualty; or (4) if as a result of any changes in the Constitution of the United States of America or of the State of Louisiana or of legislative or administrative action, or failure of administrative action, by the United States or the State of Louisiana, or any agency or political subdivision thereof, or by reason of any judicial decision, (i) the Resolution becomes void or unenforceable or impossible to perform without unreasonable delay or (ii) unreasonable burdens or excessive liabilities are imposed on the District, including without limitation Federal, state or other ad valorem property, income or other taxes being imposed on the property of the District. In the event of such redemption, the Bonds shall be subject to redemption at the principal amount thereof plus accrued interest to the date of redemption, but without premium.

The Series 1979 Bonds are issued pursuant to a Resolution, under which payment of the principal of, redemption premium, if any, and interest on the Series 1979 Bonds is secured by a pledge of the income, revenues, receipts and accounts receivable derived by, payable or accruing to the District by reason of its operation of the District, subject to payment of the operating expenses of the District.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The Series 1979 Bonds are limited obligations of the District which are payable solely from revenues derived by the District from its operation of the Hospital. The Series 1979 Bonds are not an indebtedness or pledge of the general credit of the State of Louisiana, the Parish or City of Natchitoches or the District. Neither the District nor any of the assets of the District are pledged or mortgaged as security for the Series 1979 Revenue Bonds.

On February 26, 1980, the Louisiana State Bond Commission approved a notice of intention to issue not exceeding \$750,000 of Hospital Revenue Bonds to bear interest at rates not exceeding 9 1/4% per annum, the proceeds of which will be used for the purpose of constructing improvements to the existing facilities or to provide additional facilities, said bonds are to be secured by and payable solely from the District from operations, to mature at such time not exceeding 30 years from date of issuance, and subject further to the approval of the Natchitoches Parish Police Jury. In lieu of issuing these bonds the District made an application for the approval to the State Bond Commission to issue \$500,000 of Certificates of Indebtedness at an interest rate not to exceed eleven and one-half percent per annum. This application was approved on September 1, 1981. The \$500,000 in Certificates of Indebtedness were issued on April 6, 1982. Certificates totaling \$150,000 were issued to each of three banks in Natchitoches. These Certificates of Indebtedness were paid in full on September 28, 1984.

On November 20, 1985, the District's Commissioners resolved to donate a portion of land to the Natchitoches Parish Police Jury so they could construct a parish health clinic. The act of donation was made by resolution of the Board of Commissioners on October 23, 1987. The District's basis in the donated land was \$8,200.

An ambulance service tax is collected by the Natchitoches Parish Police Jury. The tax money is forwarded to the District upon submitting ambulance cost for the year. A ten-year renewal was passed in 1986. The voters of Natchitoches Parish voted not to renew this tax in July 1996.

Effective January 30, 1987, the Long-Term Care Unit qualified as a Medicare participating skilled nursing facility. As of September 25, 1987, a home health program was begun.

On December 1, 1988, the District began renting office space for four physicians in a newly constructed physician office building.

During the year ended June 30, 1990, the District purchased approximately ten acres of land on Keyser Avenue. The State of Louisiana expropriated one quarter acre for road right-of-way.

During the year ended June 30, 1991, the District began an \$845,000 renovation of the fourth and fifth floors of the Hospital which include two additional elevators and a rehabilitation fitness center. The Hospital began redecorating and refurnishing 84 patient rooms. These renovations were completed in fiscal year 1992.

During the year ended June 30, 1992, the District began replacing the chillers and completed replacement of the chillers in fiscal year 1993. The Hospital began and nearly completed a building to be rented as a dialysis center.

During the year ended June 30, 1994, the District completed construction of the dialysis center and began construction of rental facilities for a mental health unit and an obstetrics/gynecology doctors' office. The District also refinanced \$3,600,000 of Revenue bonds. As with the 1979 series, the \$3,560,000 of Series 1994 Bonds, dated May 19, 1994, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital. The interest rates vary from 3.95% to 5.5%

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The District completed construction of the mental health unit, the obstetrics/gynecology doctors' office, senior care center and remodeling of the labor and delivery rooms during the fiscal year ended June 30, 1995. A cooperative endeavor with Northwest Psychiatry, Inc. resulted in the establishment of an adolescent psychiatric program in Natchitoches Parish. Additionally, the Hospital began its own geriatric psychiatric program on the hospital campus just prior to year end.

Effective July 1, 1995, the Hospital's geriatric psychiatric unit received "Distinct Part" status which provides for reasonable cost reimbursement of necessary services to Medicare patients. In February 1996 the cooperative endeavor with Northwest Psychiatry, Inc. ended as Medicaid, the primary payor source for the adolescent facility, tightened its admission and length of stay criteria. The result was an inadequate census and the unit was closed.

The District began leasing twenty-one beds and selling ancillary services to Satellite Rehab, Inc., a separately licensed hospital and unrelated party, on December 1, 1997. Satellite Rehab, Inc. offers inpatient rehabilitative services.

Also, on December 1, 1997, the District entered into a management agreement with Christus Health (the "Manager"). The Manager is responsible for providing an administrator for routine administrative services, making recommendations for the overall rate structure, preparing monthly reports to the Board, managing cash and investments, preparing annual budgets and reviewing the insurance program. The Board of Commissioners retained all authority and control over the District.

During the year ended June 30, 2000, the District financed \$10,000,000 of 6% Series 2000 Revenue Bonds. The \$10,000,000 of Series 2000 bonds, dated June 14, 2000, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

The District received escrow funds in the amount of \$5,000,000 from Christus Health on March 3, 2000 as a part of an agreement with the District to be used for expansion of outpatient facilities. As certain conditions were met, the \$5,000,000 was earned during 1999, 2000, 2001 and 2002.

The District ceased operations of the home health and partial day psychiatric services in June 2000.

During the year ended June 30, 2002, the Hospital renovated the second and third floor of the tower as part of the beginning of a three-phase construction project, which will include a new outpatient service center. This project is being financed by the issuance of the Series 2000 Revenue Bonds of \$10,000,000 and from the \$5,000,000 contribution received by Christus Health.

The Hospital continued its three-phase construction project during 2004 with the completion of the renovation of the second and third floors and expected completion of the new outpatient service center by September of 2005. The final phase of the project, renovation of the first floor, will start after the completion of the outpatient service center.

The Hospital entered into a joint venture with local physicians and created Natchitoches Outpatient Services, LLC. NOP, LLC offers outpatient therapy services and MRI services. NOP, LLC began operations in June of 2005.

NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES

HISTORY (Continued)

The Hospital has changed its d/b/a name to Natchitoches Regional Medical Center to reflect its regional healthcare status.

The Hospital purchased a minority interest in Northwestern Louisiana Cancer Center, LLC, which provides outpatient cancer treatment, in March 2006.

Christus Health conveyed a medical office building to the Hospital in July 2006. The conveyance contains an act of re-conveyance which is subject to the term of the management agreement with Christus Health. At the end of the agreement, the Hospital will recognize the building as an asset and the income based at fair market value.

In September of 2006, the Hospital opened the new outpatient center and started renovation of the first and fourth floor. The fourth floor will be leased to a rehab hospital.

The Hospital completed the renovation of the first and fourth floors in January 2007. The fourth floor is leased to a physical rehabilitation hospital.

The Hospital created a new entity called Natchitoches Assisted Living, LLC. NAL, LLC purchased an assisted living facility for \$1,200,000 on July 12, 2007 through a cash investment by the Hospital. NAL, LLC offers housing and limited care for elderly residents.

During the year ended June 30, 2009, the District financed \$8,000,000 of 4.26% Series 2008 Revenue Bonds. The \$8,000,000 of Series 2008 bonds, dated August 26, 2008, are obligations of the District which are payable from revenues derived by the District from its operation of the Hospital and must be used for expansion of hospital facilities.

Construction of the new nursing home facility began in September of 2008. The facility was completed in November 2009 and the patients were transferred.

The Hospital created a new entity called Regional Cardiology Clinic, LLC (referred to as "RCC, LLC") on March 2, 2009. RCC, LLC provides cardiology diagnostics and testing services.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
SCHEDULE OF PER DIEM
OR OTHER AMOUNTS PAID TO OR ON BEHALF OF COMMISSIONERS
YEAR ENDED JUNE 30, 2010

<u>Board Member</u>	<u>Paid on Behalf of Commissioners</u>
Roger Williams	\$ 760
Ronald Corkern	680
Dr. Chris Ingram	240
Dr. Phyllis Mason	200
Samuel Jackson	240
John Luster	640
Mimi Stoker	<u>240</u>
	\$ <u><u>3,000</u></u>

**NATCHITOCHES PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
CONSOLIDATED SCHEDULE OF BONDS PAYABLE
YEARS ENDED JUNE 30, 2010, 2009 AND 2008**

NATCHITOCHES PARISH HOSPITAL	RATES	PAYMENT DATES	ISSUE DATES	FINAL MATURITY DATE	ANNUAL SERIAL PAYMENTS	BONDS			
						AUTHORIZED	ISSUED	RETIRED	OUTSTANDING
Revenue bonds - 2000	4.350%	4/1; 10/1	6/14/2000	10/1/2020	480,000 (2011)	<u>\$10,000,000</u>	<u>\$10,000,000</u>	<u>\$ 3,145,000</u>	<u>\$ 6,855,000</u>
					490,000 (2012)				
					515,000 (2013)				
					545,000 (2014)				
					580,000 (2015)				
					615,000 (2016)				
					650,000 (2017)				
					685,000 (2018)				
					730,000 (2019)				
					770,000 (2020)				
					815,000 (2021)				
Revenue bonds - 2008	4.260%	4/1; 10/1	8/26/2008	10/1/2023	385,000 (2011)	<u>\$10,000,000</u>	<u>\$8,000,000</u>	<u>\$ 365,000</u>	<u>\$ 7,635,000</u>
					405,000 (2012)				
					425,000 (2013)				
					450,000 (2014)				
					475,000 (2015)				
					500,000 (2016)				
					525,000 (2017)				
					550,000 (2018)				
					575,000 (2019)				
					605,000 (2020)				
					635,000 (2021)				
					670,000 (2022)				
					700,000 (2023)				
					735,000 (2024)				

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
SCHEDULES OF NATCHITOCHE AMBULANCE DEPARTMENT OPERATING PERFORMANCE
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Patient service revenue			
Inpatient charges ¹	\$ 37,810	\$ 80,230	\$ 23,204
Outpatient charges ¹	<u>3,045,813</u>	<u>2,935,625</u>	<u>2,959,362</u>
Gross patient charges	3,083,623	3,015,855	2,982,566
Deductions from revenue ³	<u>1,351,935</u>	<u>1,254,835</u>	<u>1,355,556</u>
Net patient service revenue	<u>1,731,688</u>	<u>1,761,020</u>	<u>1,627,010</u>
Expenses			
Salaries ¹	1,054,937	1,080,647	1,141,928
Benefits ²	196,429	189,654	169,005
Medical supplies ¹	32,646	32,517	30,752
Supplies ¹	13,983	12,641	23,664
Repairs and maintenance ¹	32,108	49,824	45,128
Utilities ¹	11,247	11,160	6,312
Fuel ¹	72,326	91,703	99,158
Rentals ¹	14,079	15,826	33,918
Medical director ¹	-0-	-0-	4,767
Miscellaneous ¹	3,947	4,298	3,155
Depreciation ⁴	112,554	110,236	107,737
Billing, accounting and other support services ⁵	<u>262,249</u>	<u>277,968</u>	<u>298,297</u>
Total expenses	<u>1,806,505</u>	<u>1,876,474</u>	<u>1,963,821</u>
Ambulance department excess revenue (expense)	\$ <u>(74,817)</u>	\$ <u>(115,454)</u>	\$ <u>(336,811)</u>
Capital expenditures	\$ <u>100,028</u>	\$ <u>21,943</u>	\$ <u>71,288</u>

¹ - Charge or expense directly assigned to the ambulance department.

² - Benefits are determined using the ratio of total benefits, including payroll taxes, divided by total salaries times ambulance salaries.

³ - Deductions from revenue are determined using amounts calculated from the Medicare and Medicaid cost reports plus the average percentage for commercial contractual adjustments times ambulance commercial insurance charges.

⁴ - Depreciation is the expense for the equipment and facilities used by the ambulance department.

⁵ - Billing, accounting and other support services amounts are obtained from the Hospital's Medicare and Medicaid cost report using Medicare's principles of reimbursement.

NATCHITOCHE PARISH HOSPITAL SERVICE DISTRICT AND AFFILIATES
SCHEDULES OF RED RIVER AMBULANCE DEPARTMENT OPERATING PERFORMANCE
YEARS ENDED JUNE 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Patient service revenue			
Inpatient charges ¹	\$ -0-	\$ 4,586	\$ -0-
Outpatient charges ¹	<u>573,240</u>	<u>446,509</u>	<u>-0-</u>
Gross patient charges	573,240	451,095	-0-
Deductions from revenue ³	<u>353,319</u>	<u>145,304</u>	<u>-0-</u>
Net patient service revenue	<u>219,921</u>	<u>305,791</u>	<u>-0-</u>
Expenses			
Salaries ¹	386,938	169,962	-0-
Benefits ²	72,048	29,828	-0-
Medical supplies ¹	9,302	1,772	-0-
Supplies ¹	11,454	11,345	-0-
Repairs and maintenance ¹	25,568	16,956	-0-
Fuel ¹	19,903	10,978	-0-
Rentals ¹	4,577	2,565	-0-
Miscellaneous ¹	829	27	-0-
Billing, accounting and other support services ⁵	<u>132,952</u>	<u>42,272</u>	<u>-0-</u>
Total expenses	<u>663,571</u>	<u>285,705</u>	<u>-0-</u>
Ambulance department excess revenue (expense)	\$ <u>(443,650)</u>	\$ <u>20,086</u>	\$ <u>-0-</u>
Capital expenditures	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

¹ - Charge or expense directly assigned to the ambulance department.

² - Benefits are determined using the ratio of total benefits, including payroll taxes, divided by total salaries times ambulance salaries.

³ - Deductions from revenue are determined using amounts calculated from the Medicare and Medicaid cost reports plus the average percentage for commercial contractual adjustments times ambulance commercial insurance charges.

⁴ - Billing, accounting and other support services amounts are obtained from the Hospital's Medicare and Medicaid cost report using Medicare's principles of reimbursement.

**LESTER, MILLER & WELLS***A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS*

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners

Natchitoches Parish Hospital Service District

Natchitoches, Louisiana

We have audited the consolidated financial statements of the Natchitoches Parish Hospital Service District and its Affiliates (the "District" or the "Hospital"), a component unit of the Natchitoches Parish Police Jury, Natchitoches, Louisiana, as of and for the years ended June 30, 2010, 2009, and 2008 and have issued our report thereon dated December 1, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control over financial reporting: 2010-01. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Board of Commissioners
Natchitoches Parish Hospital Service District
Natchitoches, Louisiana
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

Lester Miller & Wells

Certified Public Accountants
Alexandria, Louisiana
December 1, 2010



Natchitoches Parish Hospital Service District
Schedule of Findings
Year Ended June 30, 2010

Current Year Findings

Internal Control

2010-01 Medicare and Medicaid Contractuals

Fiscal Year Initially Reported: June 30, 2009

Finding: While the Medicare and Medicaid model for estimating allowances for contractual adjustments has provided good results in the past, the model underestimated the allowances for contractuals by approximately \$900,000. It was brought to our attention that the Nursing Home incurred some denials during the year which was extraordinary. Management believes the handling of the denials caused the allowances to be understated by mistake.

Recommendation: We recommend continuing the use of the model currently in place, but placing emphasis on the calculation from the balance sheet side of the allowances.

Response: Management will implement the recommendation.

Resolution: This matter has not been resolved. The Medicare and Medicaid contractual adjustments were overstated in 2010 resulting in under reporting net income.

Prior Year Findings

Internal Control

2009-01 Medicare and Medicaid Contractuals

Finding: While the Medicare and Medicaid model for estimating allowances for contractual adjustments has provided good results in the past, the model underestimated the allowances for contractuals by approximately \$900,000. It was brought to our attention that the Nursing Home incurred some denials during the year which was extraordinary. Management believes the handling of the denials caused the allowances to be understated by mistake.

Recommendation: We recommend continuing the use of the model currently in place, but placing emphasis on the calculation from the balance sheet side of the allowances.

Response: Management will implement the recommendation.

Resolution: See current year finding 2010-01.